

UNIVERSITY OF KWAZULU-NATAL

**Factors that Affect the Growth of Manufacturing Businesses within eThekweni
Municipality**

By

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**A dissertation submitted in partial fulfillment of the requirements for the degree
of Master of Business Administration**

Graduate School of Business

Faculty of Management Studies

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2011

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DECLARATION

I, Manqoba Michael Biyase declare that:

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ACKNOWLEDGEMENTS

I wish to express my sincere appreciation and gratitude to the following individuals, without whose assistance, this study would not have been possible:

- My supervisor, Mr Steven Msomi, thank you for your guidance and encouragement throughout this dissertation, your knowledge and persistence is commendable.
- I would like to express the greatest appreciation to my parents who raised me under trying circumstances, who taught me good values and more so that you never quit till you get what you set to achieve.
- As special tribute to my wife – Zola for her support and ensuring that the family is taken care of whilst I focused on my studies.
- To my children Phumeza and Awande, I apologise for not being there to provide support for the past two years of your life, I hope that one day, you will appreciate what I have to go through to complete my studies.
- To my colleagues and friends, you understood the pressure I was under and you provided support and guidance where possible.
- The MBA Class of 2009, especially Lenny Naidoo, Sachin Suknunan Jake John and Shireen Subramonian. Your leadership and encouragement has been the Lord's blessing on this journey.
- A special thank to all of my respondents, this dissertation would have been meaningless without your contribution especially your insights to business.

ABSTRACT

The manufacturing industry of eThekweni municipality has been the most important aspect of economic development and job creation. This sector currently contributes 22% of gross domestic product to the local economy, with finance and transport being the other major sectors. The growth in manufacturing has averaged about 1% per annum over the past 10 years which has contributed to jobless growth of eThekweni. Whilst policy makers have realized the importance of the manufacturing industry, the important sub-sectors within the manufacturing industry are proving to be uncompetitive in a more open economy as they are faced with numerous growth challenges. The rationale of this study was to investigate the factors that affect the growth of manufacturing businesses that operates within the eThekweni municipality. Despite the contributions of the manufacturing businesses to the local economy, this sector has never been given due attention as past studies of business performance had been biased towards larger businesses.

For the purposes of this study, the questionnaire used was aimed at respondents who own manufacturing businesses within the area. Questions were distributed electronically via QuestionPro to 100 respondents and 76 respondents accessed the questionnaire with 44 respondents who completed the survey which gave the completion rate of 44%. The results from the respondents indicated that access to finance or credit, business skills, technology and globalisation were the factors that negatively affects the growth of the manufacturing businesses. The results also indicate that the unpredictable business environment, the regulatory environment and other economic factors such as inflation also affect the growth of the manufacturing businesses. The quantitative results supported by the literature review confirm that these factors affect development and growth of businesses especially small manufacturing businesses. Recommendations is also made on the actions to be undertaken to address factors affecting manufacturing businesses.

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LIST OF ABBREVIATIONS

BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Report
SA	South Africa
MERSETA	Manufacturing, Engineering and Related Services SETA
SETA	Skills Education and Training Agency
SMME	Small and Medium Enterprise

CHAPTER ONE

Introduction

1.1 Background and Context

Entrepreneurship is a critical aspect in the development of any country, in particular for any emerging economy like South Africa (SA). According to Haasje (2006), since 1994, the South African government has shown dedication towards the development of entrepreneurship by strategically positioning a sizeable amount of capital resources, financial assistance and has developed policies which are all geared to support the development of businesses. The role of entrepreneurship especially small businesses has now become a popular topic amongst the politicians and policy makers. The Minister of Finance, Mr Pravin Gordhan also highlighted the role of small business especially the manufacturing industry in addressing unemployment issues and in finding solution for the economic development problems of South Africa (Gordhan, 2011). According to Gordhan (2011), entrepreneurs have a crucial part to play in the economic growth and development of the country and policy makers have noted repeatedly that the South African economy has become highly dependent on businesses.

The South African business market has highly diversified manufacturing industry that is considered to be the most important provider of the country's economy. The manufacturing sector is the highest contributor based on foreign direct investment, employment creation and a superior balance of trade for South Africa. With the increased effects of globalisation, the SA manufacturing industry is now under tremendous pressure due to the competitive nature of this industry. As indicated by Robertson (2005), statistics indicate that as of March 2007, SA had 107,724 businesses in the manufacturing industry in and 42% of those businesses were reflected as economically dormant. Of these, 53% were manufacturing businesses. The

manufacturing industry contributes 22% to the country's gross domestic product and more than 20% of exports were manufactured exports. The projections indicated that one of four economically active people exists in the manufacturing sector in South Africa (Gumede, 2004). The manufacturing sector's contribution to the South African economy is expected to contribute substantially to employment growth, however there's little attention being paid to the challenges facing this industry. The focus of this study therefore would be on factors that affect the manufacturing businesses operating within eThekweni municipality.

1.2 Motivation for the Study

The manufacturing industry plays a significant part in the South African economic development. The economic survey report (2006), indicates that the small business industry contributed over 50% of new jobs created in the year 2005. The policy makers have realised that small businesses have an important contribution to make to South Africa's economic development and growth. Despite the significance of entrepreneurs and small businesses to the economy, previous information indicated that a third of the newly established businesses fail within the first few months of operation. According to Amyx (2005) one of the most significant challenges facing small businesses is the negative perception towards them. Prospective customers perceive small businesses as lacking the capability to offer quality services and are often seen as not capable to satisfy more than one critical project simultaneously.

Longenecker (2006) is of the view that when starting, the business owner must explore the possibility of success as well as failure. Due to the nature and complexity of the manufacturing industry, a simple error by management can lead to the closure of the business therefore entrepreneurs have no opportunity to experiment or learn from their past mistakes. As pointed out by Longenecker (2006) the principal reasons for the failure of businesses include the poor planning, lack of financial management expertise

and poor management skills. According to King and McGrath (2002), education or management skills are considered to be the other factor that has an effect on business growth. One of the most severe constraints confronting businesses and hindering their development is the availability of credit facilities. Businesses who are better equipped to acclimatise to continuously changing business environments are those businesses with skilled personnel. As can be expected with many developing countries, there is limited research study on the factors that negatively affect the growth of manufacturing businesses within the eThekweni municipality.

First National Bank's 2010 business study in partnership with the Gordon Institute of Business Science provided a dialogue of the state of entrepreneurship in South Africa and highlighted that a consideration of the dynamics of small businesses is essential not only for the development of support programmes but also for the growth of the economy as a whole. Given the importance of manufacturing businesses to the South African economy and the exposure to risks owing to their failure, there is a need to conduct an investigation on the challenges facing manufacturing businesses face and to get an understanding on how they manage with those challenges.

The eThekweni business market has broadly been ignored by the local and global entrepreneurship researchers hence a motivation for a comprehensive study of the factors that the manufacturing businesses operating within eThekweni municipality would make a significant contribution to entrepreneurship literature. This study seeks to unpack the challenges faced by manufacturing businesses specifically within eThekweni municipality. This would be of benefit to entrepreneurs, the municipality as well as stakeholders who operates within this area of study. Identifying these factors enables stakeholders to develop appropriate actions and strategies to address these challenges as and when they occur which will enable to the success of the manufacturing industry as a whole.

1.3 Focus of the Study

The manufacturing industry is one division of the country accountable for producing a broad variety of products ranging from food and beverages to chemicals, clothing and different metal products. As indicated by Gono (2005), the manufacturing industry provides approximately 20% of formal employment within eThekweni municipality. A greater fraction of the manufacturing activities in the eThekweni area extends into food production, textiles, clothing and footwear, plastics and metal products. All these sub-industries of the manufacturing industry would be incorporated into the study since the essentials of the sample would be chosen using a random sampling method. The study focused on the factors and challenges affecting the growth of manufacturing businesses within the eThekweni municipality. The prominence of the study would be on the factors that have an impact on development and growth of the manufacturing businesses. The analysis is on the factors that may possibly have a negative effect on the growth and profitability of the manufacturing sector and to recommend possible remedial actions for businesses and stakeholders within this sector.

1.4 Problem Statement of the Study

South Africa is presently faced with the economic challenges which are characterised by economic uncertainty due to challenges that emanates from the global recession Manufacturing, Engineering and Related Services SETA (Merseta) (2007). The current economic hardships make the lending of money expensive, which often results in low appetite for investment opportunities. Due to the volatility of the currency, the importation of resources or raw materials needed for manufacturing becomes more difficult and expensive. The ability to access financial resources becomes a major hindrance for small businesses due to these prevailing economic circumstances. Many talented people have left the country and this has caused an undesired effect on the growth of small businesses as they now lack the much needed management skills to

effectively manage businesses. Based on these economic conditions, this research seeks to investigate whether economic factors, management skills, access to finance, globalisation and technological factors affect the establishment and growth of manufacturing businesses within the eThekweni municipality.

Major stakeholders including potential investors are withdrawing or disinvesting due to uncertainty in the market as well as the lack of favourable trading conditions which makes investment expensive. These stakeholders include multinational companies and private investors. The SA unemployment rate is high, this can be partially attributed to the lack initiatives which are needed efforts to create employment opportunities as well as the present situation of the economy. The reduction of unemployment the alleviation of poverty is the two important factors facing the SA government today. According to Gono (2005), the encouragement and support of manufacturing businesses within eThekweni is therefore important in the light of the many economic challenges which the country is currently experiencing. As the South African economy is characterised by a high rate of unemployment, the economic environment which is in a declining state and the unfavourable living standards, policy makers have seen the importance to promote the development of businesses as an important vehicle for the creation of employment and to stimulate economic growth of this country. An environment favourable for the development of small businesses is necessary and this has stimulated an investigation into the factors disturbing or affecting the performance of small businesses in the manufacturing sector of eThekweni municipality.

1.5 Overview of the Study

The study was undertaken is an approach that enabled for a clear understanding of the problem being examined, a review of the literature, a description of the methodology used, presentation of the data, discussion of the data and concluding recommendations and comments.

The structure of the study is presented in six chapters as follows:

- Chapter 1 introduces the research problem, explains the background of the study, outlines the research methodology that was used, outlines the research questions to be answered and informs on the limitations of the study.
- Chapter 2 will focus on the literature review. In this chapter an overview of the factors that affect growth and development of businesses are outlined. This chapter also outlines the characteristics of the successful business as well as the business environment of the eThekweni municipality.
- Chapter 3 describes the research methodology and data collection techniques used in the study.
- Chapter 4 focuses on the presentation and discussion of results from the questionnaire administered electronically using QuestionPro software.
- Chapter 5 presents the analysis and discussion of results that were obtained from respondents that participated in the study.
- Chapter 6 offers concluding remarks and recommendations to solve the research problem as well as recommendations for future studies.

1.6 Objectives

The following objectives were identified for the purposes of this study:

- To examine what are the factors that affect the growth of manufacturing businesses within eThekweni Municipality.
- To establish what opportunities exists for manufacturing entrepreneurs to grow their businesses within eThekweni Municipality.
- To examine what are the critical factors that will bring the success of manufacturing businesses within eThekweni Municipality.

- To investigate whether there is a link between the perceived problems and the level of business skills business owners poses.
- To investigate how entrepreneurs experience and deal with dilemmas associated with running business.

1.7 Hypotheses/Research Questions

For the purposes of the study, the target population would be the manufacturing businesses operating within the eThekweni municipality who are also members of the Durban Chamber of Commerce. The respondents would be entrepreneurs who apply the hands on approach to the day to day operation of their manufacturing companies. The data gathered would be analysed and presented using descriptive statistics. The researcher used a descriptive research design methodology as a sampling technique. The researcher also used a stratified random sampling in selecting respondents.

In this study, a quantitative research methodology would be used for the collection of data in order to ensure a complete understanding of the negative factors and challenges that affect the growth of manufacturing businesses within eThekweni municipality. A quantitative approach was deemed to be the most suitable research process to be used as the quantitative approach is seen as the ideal tool to analyse people's attitudes, perceptions and opinions. For the purposes of this study, the researcher will make use of controlled questionnaires. The research would look at targeting 100 manufacturing businesses operating within eThekweni municipality area. The manufacturing sector remains the highest growth or highest contributing industry to the economic activity of the eThekweni municipality (IHS Global Insight Report, 2010).

1.8 Limitations of the Study

The researcher will be conducting the research work on manufacturing businesses as registered by the Durban Chamber of Commerce. There is a possibility that this situation could have an effect during on the analysis of results because some businesses that are affiliated to the Durban Chamber might be operating outside of the eThekweni municipality boundaries and their responses would be a general view than practical experience of those factors affecting businesses. The researcher would therefore make an assumption that the businesses as listed by the Durban Chamber face similar challenges irrespective of their demographic spread. Some respondents might not be willing to share information via e-mail due to confidentiality and the time to complete the survey might also be a factor. There is a possibility that not all respondents have internet access which might limit the desired response rate and some people are not receptive to completing questionnaires online. Sekaran and Bougie (2010), indicated that the respondents that are likely to respond to online questionnaire invitations are generally biased towards younger people. Lack of personal touch and limited time for respondents might also affect respondents.

1.9 Chapter Summary

This research study is intended to examine the challenges and factors that negatively affect growth and profitability of manufacturing businesses that operates within the eThekweni municipality. The manufacturing sector is an important sector in the economic development of eThekweni municipality as the manufacturing sector contributes extensively to the economic development through the reduction of unemployment. The creation of employment results in more people with disposable income which stimulates economic activity as a result in an increase in the demand for goods and services. The important part played by manufacturing businesses in job

creation, revenue creation and the alleviation of poverty is recognised worldwide by the decision or policy makers.

Manufacturing businesses are caught up in non-essential activities in emerging economies especially in African countries provide work for more or less 17% to 27% of the workforce. Small manufacturing businesses or enterprises provide work for about 67% of the entire working community of the nation with manufacturing businesses. Besides satisfying the creation of employment, manufacturing businesses are prone to present a superior foundation for business linkages and establishment of other businesses other than the manufacturing sector. Business linkages can also be formed amongst the domestic principal activities and manufacturing sub-industries because they make use of a large percentage of local based raw materials. Through subcontracting, this indicates that manufacturing businesses has the ability to offer services to big businesses.

Manufacturing businesses are a fundamental element of every country's economy and their accomplishment is a significant characteristic for development. Business innovation can mainly be attained by manufacturing businesses consequently it is immensely meaningful to recognise and be aware of the challenges faced by manufacturing business within eThekweni municipality. This is supported by the fact that small businesses in general are the foundation for the South Africa's economic development as well as a lot of developing countries around the world. Nurturing and supporting small manufacturing businesses ensure their continued existence, development and growth and they ought to be defended against any possible failure.

This research study would benefit entrepreneurs within the manufacturing sector of eThekweni municipality as recommendations are made to support the manufacturing businesses with their long term growth and development strategy. The study will also disclose the challenges faced by the manufacturing industry of eThekweni and can

further assist with the crafting of policies to address specific challenges of manufacturing businesses within eThekweni municipality. Although the eThekweni municipality, through its business support unit has dedicated an enormous quantity of capital (financial, labour) towards the support of small businesses, the rate of failure is still exceptionally high, consequently the need for the study. Since manufacturing businesses are an important factor in economic growth, an understanding of challenges facing entrepreneurs in this sector would enable policy makers within eThekweni municipality to establish strategy (ies) to decrease the rate of failure of the overall businesses which will enable the eThekweni municipality to achieve their objectives especially employment creation. Chapter two discussed literature related to the challenges faced by manufacturing businesses.

CHAPTER TWO

Literature Review

2.1 Introduction

Manufacturing businesses are poised to play an important part in the stimulation of growth and development of both industrial and non-industrialised country's economy. Business owners build new business markets through creativity, which contribute to creation of employment. Businesses that empower people are necessary for any developing country in order to effectively integrate into the global economy. Since the South African administration has acknowledged the importance of businesses, the objective is now to establish South Africa as a commercial state that recognises and rewards businesses. According to Statistics South Africa (2009), since 1994, South Africa had been confronted with the challenges of re-integration into global economy, whilst trying to position itself as a force to be reckoned with in order to comprehend the high expectations of its population concerning a successful shift towards a more democratic order.

The growth and development of manufacturing businesses has been recognised by the majority of the interest groups and policymakers as being of critical importance to South Africa's ability to tackle the serious problems of unemployment. In his 2011 state of the nation address, the president of South Africa, Jacob Zuma points out that entrepreneurship equates to small and medium businesses which account for 40 – 60 % of the South African Gross Domestic Product (GDP) and this equates to employment, re-allocation of wealth, more companies and healthy economic growth. At present, manufacturing businesses are the highest rising economic sector in South Africa and the biggest contributor of employment internationally.

The key industries within eThekweni municipality comprises of most prominent sectors being the manufacturing industry, retail trade, financial and community services. As noted by Valodia and Velia (2006), the manufacturing industry represents a foundation of the eThekweni municipality's market, however manufacturing receives inadequate consideration from the key stakeholders like the lenders and the government. Across the country, the community and administration seems to have missed an important fact and a straightforward reality that you cannot generate employment if you do not have well-built businesses. The eThekweni's manufacturing sector has remained very robust, contributing close to 22% of Gross Domestic Product (GDP) to the region. This sector is developed for export, with almost a third of South Africa's manufactured exports being manufactured and shipped via eThekweni's harbour. The small business manufactures within the eThekweni municipality continues to be a very important employer especially the clothing and textile industry. When assessing the manufacturing sector of eThekweni municipality which is regarded as the mainstream economic support for the region, this sector has not proved to be a rapid generator of jobs due to challenges facing this sector.

With the increased globalisation and the challenges in the market, a declining manufacturing trend on manufacturing businesses operating within the municipality is noted (Global Insight Report, 2004). As commented on the Economic Survey Report (2006), nearly 80% of South Africa's SMME's fail or cease to exist during the first year of existence. The reasons thereof vary from lack of management skills, finance, and mentoring, coaching, marketing and business development.

2.2 The Economic Climate of eThekweni Municipality

The growth of manufacturing industries within the eThekweni municipality centred on the port and that has been the most important aspect of the Durban economy since the 1920s, and the manufacturing industry now accounts for about 30% of the local

eThekweni Municipality SMME Strategy Report, 2007). The tourism sector concentrated along the coast and contributes approximately 24% to the local economy, with finance and transport being the other major sectors. The Durban economy accounts for approximately 60% of the provincial Gross Geographic Product (GDP), however, growth in manufacturing has averaged only about 1% per annum over the past ten years. Much of this has been jobless growth characterised by capital intensive improvements. While eThekweni municipality has a much diversified manufacturing base producing many different goods, few of these are considered sufficiently well developed to compete in global markets. Many of the important sub sectors within manufacturing such as textiles, clothing and printing are proving to be uncompetitive in a more open economy. The sectors that are regarded as attractive and competitive are industrial sectors such as chemicals, paper and paper products which are more capital intensive and will not necessarily create jobs (Monitor Group *et al*, 2000).

The eThekweni economy has been declining in recent years, in fact it has shifted from being South Africa's fastest growing metropolitan area to its slowest growing (Casale, 1999). Unemployment is estimated to be between 30 to 40% and is increasing. Job creation in the formal sector is estimated at only 0.7% over the past decade in the context of much faster population growth (Small Business Monitor, 2010). Formal job losses in the manufacturing sector is estimated at 10,000 per annum over the past 4 years against a proposed future optimal job creation target of 15,000 new jobs per year for the next 10 years (Small Business Monitor, 2010). Informal sector employment is growing rapidly but small enterprises struggle to build a sustainable presence above subsistence levels.

Significant employers in the formal economy such as the clothing, food and textiles sectors are losing jobs the fastest (Small Business Monitor, 2010). All three of these sectors had large numbers of women in the workforce and the loss of these formal jobs has been particularly hard-hitting for a large number of households. Noting that at the

level of national statistics, the number of people involved in the clothing and textile industry has not declined markedly, Skinner and Valodia (2001) reveal that many of these workers have continued to do the same work in the informal economy but without the same level of legislative protection in working conditions and minimum wages.

2.3 The State of Entrepreneurship within eThekweni Municipality

As indicated by the South African Department of Trade and Industry (2009), there are more than 800, 000 SMME businesses absorbing about a quarter of the workforce of 15 million people. The 2008, Department of Trade and Industry Report, indicates that the small businesses in South African small businesses contributes about 60% towards employment and about 40% towards GDP. Whilst the SA government is promising to focus on job creation through small businesses or entrepreneurship, there are still hundreds of thousands of people without jobs and a means of putting food on the table. Many of these unemployed individuals are starting up new businesses through necessity with the hope that these businesses would in turn grow sufficiently to support not only the founders, but generate enough profit to have a roll-over effect which creates further job opportunities. According to the Global Entrepreneurship Monitor (GEM) (2010), only 16.7% of South Africans had entrepreneurial intentions and 29% have a fear of failure which is regarded as a major contributing factor to their failure to launch of entrepreneurship. The GEM study (2010), reports that the state of entrepreneurship in South Africa is affected by a number of factors which are causing a barrier to entry into the entrepreneurial arena.

The government is concerned about the lack of economic growth and have been confronted with the increase in unemployment especially in the manufacturing and retail industry, as well as the inability to create decent jobs, the slow economic growth. Due the globalisation of the world market, policy makers believe that entrepreneurship is the

way out to these concerns. Storey (2000) illustrated that politicians around the world have, over the past decade, re-iterated the significance of small businesses as a mechanisms for job creation, innovation, and the long-term growth and development of economies. It is usually acknowledged that manufacturing businesses face exceptional challenges, which affect their development and profitability and this diminishes their capability to contribute successfully to sustainable development.

In her research studies on small business challenges with access to finance, Dr Chetty (2008), points out that small business are regarded and the cornerstone to the development and growth of any country. Besides the topical economic turmoil coupled with the recession that is swelled quickly across the world, the development and the support of businesses has received adequate attention as efforts are now focused on small businesses. Although there is a large quantity of businesses (both public and private) who offer support to small business within the eThekweni Municipality the overall impact of these initiatives on the growth and development of manufacturing businesses is minimal and there is a shortage of studies that significantly scrutinise support services for small businesses provided by the private as well as the public sector. As indicated on the Entrepreneurship Management Report (2010), the eThekweni Municipality has the biggest harbour and city on the east coast of Africa therefore the bulk of goods are being imported through this port instead of being manufactured locally. The eThekweni municipality has a population of over three million people with a growth rate of 2.3% and is South Africa's second largest city. Statistics indicates that that KZN's economic performance as from 1996 to 2009 showed growth of 3.8% and contributed 16.4% towards the national economy (IHS global Insights Report, 2010). It is therefore regarded as the second largest with regards to contribution towards the national economy, however the manufacturing industry contributes 22% of the eThekweni's economy.

When deconstructing the manufacturing sector, this sector's accomplishment can be attributed mainly to the chemical, automotive, pulp and paper, wood and wood products and food and beverages components. The municipality's economic strategy acknowledge the significance of these sectors and their potential for growth, job creation as well as global competitiveness and has aligned suitable medium to long term strategy to promote improvement of this industry. The policy makers have re-emphasised the development of the country's manufacturing sector as the cornerstone of the economy and have also committed to contribute to the growth of this sector. The manufacturing industry of eThekweni is the biggest contributor to the GDP growth, followed by finance, trade and then transport as indicated by figure 2.1.

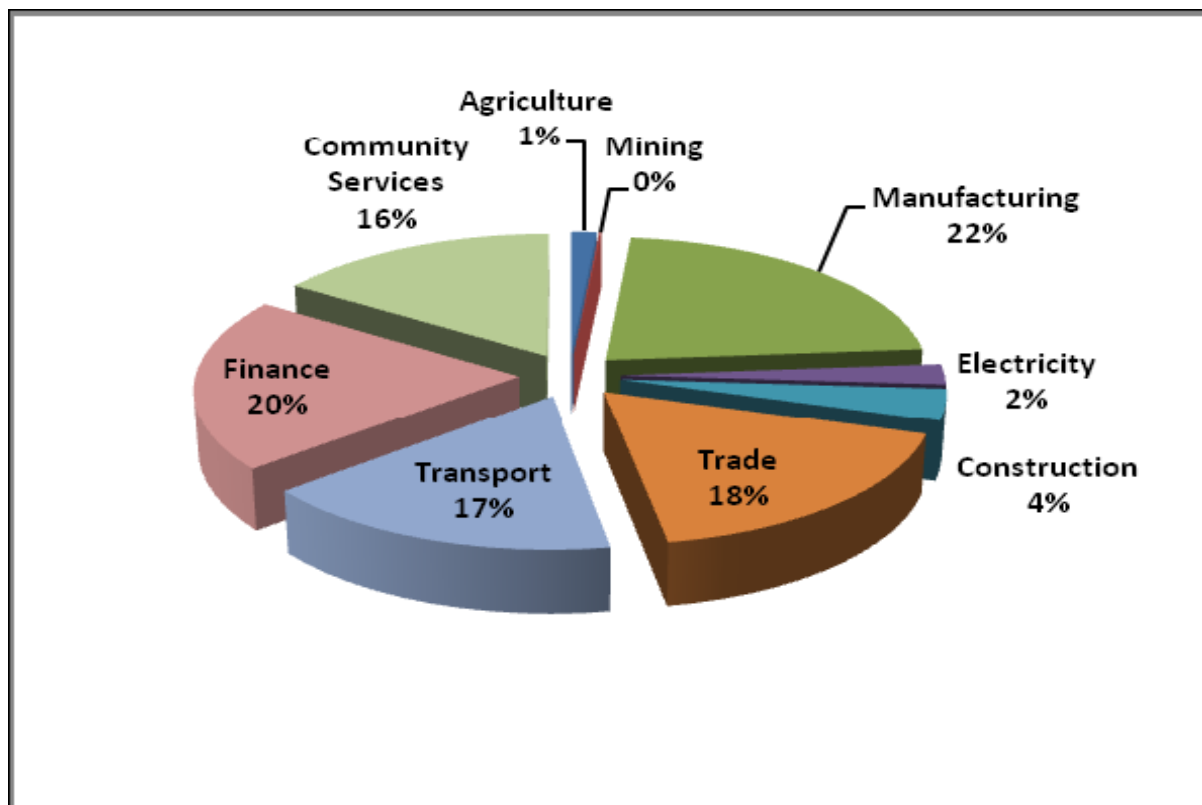


Figure 2.1: Sector contribution: Gross Domestic Product 2008, Source: Global Insight

The figure above indicated that the manufacturing sector (22%) as well as finance (20%), trade (18%), transport (17%) and community services (16%) are the key industries in terms of GDP contribution of the eThekweni municipality.

The eThekweni municipality is predicted to grow its GDP at 3.5%, higher than the national average in 2010 and in line with the 2011 national average growth as well as contribution as predicted on the Global Insights Report (2010). The highest growth and contribution is expected in the transport, finance and community services industries with the lower growth expected in the mining, electricity, agriculture and construction industries. The economic empowerment and growth has become a main concern not only for South Africa but for the eThekweni Municipality and policy makers have realised the importance of manufacturing businesses as a main contributing factor to the growth of the economy. The manufacturing sector represents a sustainable, important vehicle to address the challenges of job creation, economic growth and equity within the eThekweni Municipality.

Despite the existence of different initiatives that are in existence to support small businesses within the eThekweni, the manufacturing sector still faces a number of challenges and there is a need to understand the factors that negatively affect the establishment and growth of small business within the city. In her research studies on small and medium business (2010), Dr Chetty argues that there is a need to have an understanding of the factors that hinders the accomplishment of SMME businesses and revolutionise the support formation within eThekweni municipality which encompasses exploring different methods and new ways that would assist to enhance the international competitiveness of small businesses, in so doing making an important contribution to the economy. Therefore it is essential to first of all analyse the challenges or factors that the manufacturing industry faces within eThekweni municipality and to investigate the most suitable and valuable means of revolutionising this sector within the eThekweni municipality as referred to as the significant contributors to the economy in terms of both job creation and economic growth.

2.4 Characteristics of a successful entrepreneur

According to Boyett and Boyett, (2002), 70% of successful entrepreneurs show their success secrets through many aspects by identifying good business practices to raising capital, attracting and maintaining clientele as well as retaining them. Determining success or collapse of a business is fairly an intricate and challenging subject. According to Lussier and Pfiefer (2001), the success of a small business can be defined as its ability to survive. The success of manufacturing businesses is dependent on owner's previous knowledge, financial or capital access and personal skills which are the critical ingredients for the success of any business. This echoed by Pratt (2001) who noted that the business owner's hard work, interpersonal skills and customer service orientation are also significant drivers of the performance of any business within the manufacturing industry. Psychological factors such as risk aversion, innovation and the ability to plan have an important effect on performance of the business. Hussain and Windsperger (2010) dispute that the understanding and the familiarity of the local marketplace play a key function for the achievement of any business, predominantly if the business operates within the retailing industry. The management abilities of entrepreneurs and the environmental factors are most important consideration for the success of small businesses. Benzing (2009) have categorised the important variables contributing to the success within the manufacturing sector into three groups' i.e. psychological, personal, management skills, training and external environment.

As pointed out by Benzing (2009), unpredictable political and socio-economic environment, intricate taxation, dishonesty, and cumbersome regulatory framework are frequent struggles confronted by entrepreneurs in growing economies. The South African manufacturing industry has to face a number of similar problems owing to the bureaucratic approach of public system and unbalanced administrative policies. Chu *et*

al. (2007) reported that African entrepreneurs face long waiting times for approval of licenses and registrations. Usually, the increased costs of doing business are a direct result of these bureaucratic hurdles and delays. According to Cook (2001), past business research studies are in agreement that the shortage of financial capital is one of the most important problems confronting entrepreneurs in the developing countries. The factors related to the shortage or access to capital resources or funds are more evident in the case of women entrepreneurs. According to Kuratko and Hodgetts (1995) the most common characteristics of successful entrepreneurs includes technical competence, mental ability, integrity, dependability, acceptance of failure, internal locus of control, people management skills, the drive to high achieve results drive and creativeness, however he cautions that these are not all-inclusive.

2.5 The Business Environment

Manufacturing businesses are similar to the majority of businesses, they manoeuvre in a very competitive environment. Rwigema and Venter (2004) state that, “the entrepreneur must consider the business as a whole and be fully aware of its place within the market it operates in.” They are of the opinion that looking at the business as a whole will provide the entrepreneur with a lasting point of view for potential growth opportunities and continuity. Past studies showed that the relationship between SMME businesses and the business environment becomes a crucial focal area for the continual survival of businesses in the open market. Lee and Peterson (2000), is of the opinion that as business opportunities and capital is dependent on its surroundings therefore entrepreneurs must build up a closer relationship with the environment in which they operate in. This point is echoed by Coetzee (1993) who pointed out that the manufacturing companies may be regarded as an open system and is thus influenced by its surroundings. If the business is not capable to change to these forces from its environment and they are only dependant on the strength and nature of these forces,

they would be faced with either complications or opportunities which could potentially demolish the business or present businesses with opportunities to grow other avenues.

The circumstances in which entrepreneurs analyse the internal environment, external environment which encompasses the task and macro environments, imitate the character of the entrepreneur. It is noted that the internal environment is at the control of the entrepreneur whilst the external environment is beyond his or her control. It is the relationship between the entrepreneurs has with its environment that will determine the failure or success of the business. The most important factors impacting the failure of manufacturing businesses will be derived from the owners of businesses and the inside and outside environments factors.

According to Rigwena, et, al (2004), most entrepreneurs are at the leniency of economic environment that they have no control of. This is specifically relevant to areas which are highly dependent on big companies for employment. When such big companies settle on retrenching hundreds of the workforce, it negatively affects numerous small sized businesses that were developed dependent on employers. The current developments such as globalisation and economic meltdown have all impacted businesses drastically, especially those producing goods that are currently being imported at very low cost (Small Business Monitor, 2010). Entrepreneurs within the manufacturing industry are in general laggards for technology acceptance. The principal motive for the perceived higher expenses is staying in tune with the most modern technological innovations specific to their particular industry. Over the past decade, the rapid growth of technological advancement has been exceptional. The manufacturing business operating with outdated technology is at risk as the competition will leapfrog over quickly by reducing it to oblivion Rigwena, et, al (2004). It is noted that new technology typically brings the guarantee of reduced costs and or an increase in revenue. Generally businesses are not technically confidence enough to utilise the network efficiently. Small

business cannot also afford to employ specialist or web designers to plan or develop a superior online strategy.

2.5.1 The Internal Environment

Hunger and Wheelen (2003) argues that internal environment comprises of the manageable essentials of the business surroundings and stress that the entrepreneurs should focus on the administration aspects such as marketing, finance, research and development, operations and human resources management which are within the control of the enterprise. A thorough knowledge and understanding of the internal environmental factors will provide the entrepreneur with the essential administrative skills to enhance the management of the business and to eliminate the potential of business failure.

Deficiencies within the surroundings are the important causes of failure of the manufacturing industry. According to Ligthelm & Cant (2002), noted key internal issues affecting businesses as skills related to management and financial knowledge, the lack of expertise in key operational areas which includes marketing and the management of personnel. A number of the problems emanating from these factors include management aspects such as a poor or the lack of management skills as well as a limitations related to the lack of business culture in South Africa. The other causes for failure of manufacturing businesses as identified by Ligthelm, *et, al* (2002) include the entrepreneur incapability to act, control the growth of the business growth and too much focus on financial results. The actions of management as well as the behaviour reluctance to seek advice, lack of management commitment and unwillingness to adapt to change are the main causes for failure to put strategic goals, future plans.

2.5.2 The External Environment

Hunger and Wheelen (2003) describes the external environment as the societal environment which comprise a number of forces including political and legal forces, policies and regulations, economic factors which control the trade of resources, financial resources, energy and information, socio-cultural services which control the principles, habits of the public as well as technological forces that produce problem solving inventions. These macro environmental forces usually influence the long term decisions of any business. The owners of manufacturing businesses have no control or authority over the forces of the external environment and this can be accredited to the inadequate capital resources within this sector. The shifts of all the forces within the external environment affect all businesses irrespective of the size of the business. When there is a change in the external environment, bigger businesses are well placed to absorb these shifts compared to their smaller counterparts because they have adequate capital. There is a need for the owner manager to be attuned to the external environment in order to minimise any negative shocks emanating from this environment. The owners of business should be able to adapt swiftly to environmental changes in order to capitalise on the shifts as and when they present themselves as opportunities.

2.6 Globalisation

Globalisation is defined as the elemental shift in world market where countries are stirring their economic system towards a mutually dependent worldwide economic system. As pointed out by Hill (2009), globalisation has resulted in markets in which formerly or traditionally discriminated markets have become one massive worldwide marketplace as a consequence of elimination of trade barriers and advances in information and transportation technologies. Due to globalisation, all countries can now partake in worldwide trade. The other facet of globalisation is the globalisation of means of production. Businesses can establish their production facilities in countries where

manual labour and other means of production are cheaper. The ending effect is that globalisation presents new fear for manufacturing companies especially in Africa as a result of increased competition from overseas market entrants. The locally produced goods and services are currently competing with goods of cheaper quality as well as merchandise from emerging economies, such as China, India, and Brazil. These low-priced imported goods are quickly replacing locally manufactured goods and closing down small manufacturing businesses.

Globalisation and modern technology is developing a fresh market with fresh traditions of doing business, production of goods and services as well recognising profits. Mass production has been replaced by a new move towards competition which is dependent on knowledge and skills. The purpose of any businesses is no longer about the maximisation of, but is now dependent on the management of production, innovation and advertising, the utilisation of all the available linkages as well as services presented by the network of manufacturing businesses. In globalised world businesses have the ability to produce an even better scale of returns, as well as efficiency and effectiveness that are far beyond the previously achieved profits. Manufacturing businesses are faced by free market as trade and import barriers have diminished. The bigger volumes of cross boundary trade and the current technology, in particular knowledge base transfer, computerised business environment and the communication technology has revolutionalised the world (Unido, 2000).

Globalisation has changed the world's market and created a new business environment as factories have been established through technology and current technology driven knowledge is applied in the manufacturing process. Businesses can now take advantage of better system of government and utilize new linkages within a value system (Unido, 2000). The location of the manufacturing of goods does not matter causing a new spatial organisation as all kinds of knowledge, information, goods and services can be out sourced and traded anywhere in the world (Unido, 2000).

Manufacturing businesses need to understand that in a globalised environment, the new productivity economic benefits are the heart of the international data economy. Without a growing and prosperous regional consumer market, the manufacturing businesses within eThekweni municipality cannot rely on low wages but they need a strategy for global re-engagement as suppliers and buyers are easily accessible as the use of networks increases.

2.7 Management Skills

The shortage of management skills and the technical know-how is a most important restraint affecting the advancement of the small business especially in the manufacturing sector where skills are a key. According to Nyoni (2002), Business owners within the manufacturing industry places low precedence to training and are normally averse to participate in programs which necessitate them to finance even a small percentage of total training costs. The acknowledged areas of concerns differ from the supervision of money, strategic promotion and financial administration. Business have are falling short of technical skills which includes the innovation needed for the production of quality products and services. The shortage of skills by entrepreneurs also affects the implementation of growth strategies for their enterprises. Nyoni (2002) is of the view that addressing the skills shortage requires training and skills development which can be acquired at the ground level, administration or supervisory level as well as the entrepreneurial level. As indicated by Heraty (2005), management skills are crucial for the advancement of any businesses which also be associated with the national pool of management expertise which is critical for the economic growth and development of the country. Poor management skills within the manufacturing industry are recognised as an acute problem worldwide. Heraty (2005), also points out that managerial weakness is one of the most important reason for the failure of SMME businesses worldwide.

Management Expertise and Abilities

The success of any business is frequently attributed to the management's expertise or performance, therefore the skills of the business owners are an important factor for any business to succeed. Entrepreneurs internationally need to attain the much needed management knowledge to make certain their business' future survival and advancement. Business owners as well as managers who have insufficient management knowledge and the necessary skills will have a challenge to control their businesses efficiently and effectively to produce better results. According to Dzansi (2004), manufacturing businesses are crucial for economic growth and development and he is of the opinion that proper management of the business is essential to ensure or guarantee complete development of the manufacturing industry in a globalised word market. The accomplishment of businesses would result in better standards of living which will further enhance the alleviation and the reduction of poverty especially for underdeveloped communities. Dzansi (2004) also acknowledged that this division of the world economy may not be able to accomplish its role if it cannot grow quickly to be able to compete in a globalised world market.

Amongst other factors, the speedy growth of small businesses and their ability to participate worldwide would necessitate that the skills management of those individuals who established and managed these businesses to be enhanced from the current depressing condition to a more efficient level (Makatiani, 2006). Entrepreneurial capability is accessible to a lot of individuals, however managerial competencies that are fundamental for the continuation and sustainability of the SMME is inadequate. A successful business is extremely reliant on its management abilities and their resourcefulness. If the intended results of an enterprise are to be achieved in any business, certain responsibilities need to be carried out by owners and or managers, however the extent to which entrepreneurs carry out these tasks is rather different in contrast to big businesses because of a shortage of technical and managerial skills. Research findings by Sawas & Feng (2005), pointed out that "a lack of managerial

competence result in the failure of small businesses worldwide.” Cronje (2003) pointed out that poor management is one of the primary reasons for the failure for a number of small enterprises. Longenecker *et al.* (2006) echoes the above sentiment and argued that small businesses are more vulnerable to the weaknesses of management which is a result of a lack of qualified personnel due to financial constraints.

The administrative inadequacies of manufacturing businesses can be accredited to the inadequate levels of proper schooling amongst the majority of entrepreneurs and or managers. The most important issue confronting the manufacturing business industry worldwide is therefore the improvement of the managerial skills of the owners or managers in this sector to ensure their long term success (Cronje, 2003). In developing countries, manufacturing businesses are key players in economic advancement in terms of employment creation and economic growth and development hence the success of small businesses becomes significant and there is a need to ensure their proper management. In order to provide the necessary management skills, entrepreneurs require a clear understanding of the needed skills which are necessary for the smooth and profitable running of small businesses. Furthermore, there is a undeniable necessity to develop what management skills presently exist specifically within the manufacturing sector and which ones are not there in order to ensure that manufacturing businesses are well managed.

Management Talent

Some of the manufacturing processes require very specific talents which are difficult to get or are very costly. If particular talents to the business are imperative, assessments should be conducted to establish whether they are accessible to commencing the business. According to Stats SA (2010), entrepreneur equates to small or medium business which represent about 40 to 60 % of the South Africa’s GDP which results to employment, re-distribution of wealth as well as more businesses and healthy economic

development. The shortage of administration skills is regarded as the second biggest cause of failure of small business. According to Hill (2007), many business owners lack managerial training and expertise. Entrepreneurs establish their own approach to management through a process of experiment and mistake which is due to their management style that is more or less to be more instinctive than systematic. Their system is more worried about day to day management than long term view and more opportunistic than strategic in its concept. Hill (2007) also acknowledges that even though this approach is the main strength at the developmental stage of the business, it enables the creativity necessary but it may present problems when compounded decisions have to be undertaken.

The end result of the unfortunate managerial ability is that the owners especially in the manufacturing industry are not well equipped to tackle changes in the business environment and to prepare suitable changes in technology. As pointed out by King and McGrath (2002), the majority of business owners who run manufacturing operations are ordinary people whose educational background is lacking hence they may not well equipped to carry out managerial routines for their business enterprises. Education and skills are needed to run micro and small enterprises. As highlighted by King and McGrath (2002), in their study of entrepreneurial challenges, the majority of entrepreneurs that carry out small and large businesses are not fairly capable in terms of education and skills and went on further to suggest that those with more teachings and training are more expected to be successful. Therefore for small businesses to do well, business owners require to be well knowledgeable in terms of skills and management.

According to Dockel and Ligthelm (2002), the struggles experienced by entrepreneurs in running a triumphant business includes economy related factors that are related to the national economic factors which are associated to the state of the economy, industry based problems that is associated with the industry in which the enterprise operates as

well as enterprise based problems that refer to the business's interior factors such as incompetent management, lack of managerial skills, and poor financial control. For a business to be successful, it is advisable that entrepreneurs think about the troubles created by the factors external to the business by combining economy based and industry based problems as macro environmental or exogenous problems. These problems can be separated from problems in excess of those the entrepreneur has some control i.e. business specific problems which are regarded as internal or endogenous problems. Macro-economic variables such as interest rates, unemployment and inflation rates are also important factors for consideration, however Dockel, *et al* (2002) points out that enterprise-based problems were found to be associated with sixty-five % of problems experienced by manufacturing businesses in South Africa.

2.8 Access to Capital

According to Chetty (2009), the two most important factors currently affecting the businesses within the eThekweni municipality are the inability to access finance and the lack of a track record. Hinton, Mokobi and Sprokel (2006), point out that the bulk of businesses are short of capital to fund their businesses and customarily resort to borrowing from financial institutions to establish and develop their businesses." This has resulted in most businesses being extremely geared. According to GEM (2009), it is estimated that approximately two million people were engaged in some form of self employment. Providing effective business support to all of these individuals was beyond South Africa's capabilities and financial resources. Supplying finance to inexperienced, poorly skilled entrepreneurs is an ineffective use of scarce resources, particularly if these individuals do not have the correct skills set to make effective use of the finance provided. The lack of financial assistance had been extensively highlighted as the major dilemma confronting small businesses within eThekweni Municipality. According to Global Economic Management (GEM) (2009) report, the South Africa's financial system

was no more reluctant in support of entrepreneurs than for other developing countries participating in GEM. Globally, recognised financial organisations appeared to be providing financial support only to a selected few entrepreneurs. Internationally, the most critical source of start-up financing appeared to be entrepreneurs' investments and their capability to raise informal investments from friends, family and colleagues.

The accessibility of finance will impact the method in which any entrepreneur targets the marketplace. Research studies have revealed that the main distress of most entrepreneurs is how they acquire adequate capital. Some businesses especially manufacturing businesses require large amounts of capital to function. Under-capitalization may possibly restrain the development and may even be the cause a company to fail. Business owners who do not have a well established network or track record may find it very complex to find capital. A thorough knowledge of the business finances like the management of capital, the interaction with the providers of finance are the integral ingredients for the success of any business. Just about one-third of the entrepreneurs established that cash flow management, having inadequate sales volume and method of pricing goods or services to be the generally challenging when starting a business. The majority of small businesses owners discover that it is very complicated to attain finance, particularly when they are starting up or if they are a relatively new business. The financing institutions call for collateral for loans and numerous smaller businesses do not have sufficient security to be accepted. The changes in financial institutions, mainly large mergers, have impacted the granting of finance to small size businesses. Throughout the economic downtimes, the capital crunch grows more ruthless as the financial institutions decrease their appetite for lending to riskier customers of which the grouping of small businesses fit in.

Financial administration is a critical function within the endogenous environment of manufacturing businesses that presents an abundance of possible obstacles. The proficiency of management is regularly determined by the accessibility of management

and financial information. The need for better financial sources is often reported as the major concerns that the businesses owners experienced when growing their businesses. Financial issues imperative for the success of the business includes capital requirements, bookkeeping, financial planning, the management or control of finances, cash flow management as well as the management of working capital and income generation.

2.9 The Regulatory Framework

The intricacy of the regulatory environment and the large quantity of bureaucratic needs are some of the challenges that are facing businesses. As noted by Ndlovu (2002), the procedure for registering a business, attainment the needed licences and the cost of compliance can be a major deterrent for entrepreneurs, which are the processes that starts from the formation of the business, reporting processes and the tax requirements. Whilst the regulatory structures are required for the functioning of businesses, over-regulation is an international problem to the competitiveness of the commercial industry. As indicated in the global economic Small Business Monitor report (2010) survey, government policies are one of the key factors constraining the development of manufacturing businesses. Although there is some progress in improving the tax regime for business, it can be argued that, in order for the manufacturing industry to play a greater role in job creation, more can be done to improve the tax regime for business.

Inefficient government bureaucracy, red tape associated with starting up and managing a business in particularly time and cost of compliance and restrictive labour regulations continue to be cited as areas of concern. Labour regulations are currently ranked as one of the most problematic factor for doing business in South Africa especially in the manufacturing sector as its highly dependent on labour. South Africa has extremely restrictive labour policies and the new labour regulations being promulgated have been slated as being even more restrictive than the existing problematic policies in place. As

cited on the report Doing Business (2011), labour legislation should work towards balancing worker protection against employment restrictions and it should not only favour the employed, but should be flexible enough to allow the unemployed the ability to successfully seek employment as well as allowing businesses to grow and expand without the fear of punitive or overly burdensome set of laws.

In the past, small businesses or firms were exempted from a number of government regulations but things have changed to the degree that the identical regulations faced by bigger companies are now applicable to small business. Regulations governing establishment of businesses are extremely intricate and conflicting which is why small businesses find it so complicated to conform to, as the South African government has invented new methods of bureaucracy which are considered as the most important hindrance for small firms to conduct or establish business in South Africa (Small Business Project, 2003).

The South African global economic Small Business Monitor Report (2009), indicates that the SA government's overemphasis on Black Economic Empowerment (BEE) initiatives as one of the factors hampering entrepreneurship, particularly with respect to young black South Africans. Analyst argue that BEE does not create entrepreneurs, but takes political leaders and politically connected people and gives them assets which they are unable to manage. Taking assets from people who were managing them and merely giving them to people who cannot manage them does not add value. In fact, value is destroyed and instead of creating a wave of new entrepreneurs, BEE creates a class of idle rich politicians. The former president of SA, Mr Thabo Mbeki once argued that the conglomerates are developing a culture of entitlement, while South Africa needs a culture of entrepreneurship. The current debate on key business issues including nationalisation of key businesses especially the mining sector, raises a cause of concern for entrepreneurs in the manufacturing industry as they mainly rely on natural resources as factors of production.

Small enterprises are always tempted to avoid registration and formal compliance with regulations because this requires time, effort and money in terms of fees and sometimes legal assistance. As noted on GEM (2009) report, a high proportion of entrepreneurs are short of the skills to abide by with the legal and tax requirements facing registered businesses. Manufacturing businesses are hindered by the enormous administrative and cash flow burden that registration adds to the business. Each and every entrepreneur has to act in accordance with a range of regulations, which includes attaining the necessary permits and licenses as well as complying with the health and safety inspections regulations. Whilst it is essential generally for the well being of the entire population, this proves to be encumbering to some of the manufacturing business owners in terms of time and money that could have been spent growing the business. Environmental regulations, workplace rules and the paperwork associated with tax compliance contribute to most of the burden. Research revealed that manufacturing companies hiring less than 20 workers have an upper annual regulatory trouble per worker than companies employing more than 500 employees. A disproportionate quantity of authoritarian work has to be completed by the companies and other owners which leave less time for administration of the business that would produce healthier results for the company.

The other factors that need to be taken note of by entrepreneurs are the country's taxation regulations and legal structure. The South African legislation makes starting up and running a small business arduous as entrepreneurs must comply with numerous legislative requirements. International evidence suggests that the regulatory environment has a major influence on the survival and growth of small and new businesses. As quoted on GEM (2009) report, a study by the SBP (2004) showed that compliance costs in South Africa amounts to 8.3% of turnover for businesses with annual sales of less than R1 million and 0.2 % of turnover for the manufacturing businesses with sales of R1 billion or more. According to GEM report (2010), this showed that regulatory compliance costs in South Africa in 2004 were about R79 billion or 6.5% of GDP. As indicated by the Global Competitive Index (2009/2010), it is noted

that South Africa's restricted employment regulations are regarded as one of the biggest regulatory burden to industry growth especially the manufacturing sector. Policies that not necessary related to the business industry of which have a notable effect on the efficient and effectiveness of the business were also mentioned, e.g. the government's unproductive policies on crime, poorly conceptualised and implemented educational policies and the mismanagement of initiatives such as the skills education and training agencies (SETAs).

2.10 Technological and Infrastructural support

Small businesses have the inability to recognise sources of technologies suitable to their specific activities and this is due to the lack of knowledge. As cited by Nyoni (2002), the manufacturing sector often complains regarding not understanding how to go to secure the most price effective technology. The development and growth of small businesses is also hampered by the lack of knowledge with regard to information technology within eThekweni municipality because it results in an increased cost of production which reduces the capability of small businesses.

Small businesses have difficulties in gaining access to suitable technologies and information on appropriate techniques which limits innovation and their small businesses' competitiveness. The manufacturing businesses need to comprehend that innovation and technology leadership are the means to the future and competitiveness of this sector. William Fee argued that for his company to remain competitive, he had to increase dependency on technology investment (Information Technology Manufacturing and Competitiveness Report, 2003). Manufacturing businesses must shift their business towards more technically sophisticated applications in order to accomplish competitive edge within the new business markets where strong loyalty to research, development and ongoing innovation in products is a prerequisite. Entrepreneurs need to invest in research and development of new products so that their manufacturing businesses

remain one step ahead of the competition. Innovation and technology is an answer to the potential of the manufacturing industry. The manufacturing businesses' competitiveness edge is dependent on great new technology.

2.11 Chapter Summary

Small businesses play a significant position in developing countries. They are seen as the key drivers for the reduction of unemployment, the growth and development of the economy, eradication of poverty as well as the improvement of the living standards of people. The public, government and other key stakeholders are creating an important contribution in the development and growth of businesses, however more support is necessary in order to enable this sector to achieve its goals.

In South Africa, the manufacturing sector is seen as mainstream sector to create employment and research indicates that the growth of this sector is expected to continue to increase. Although the eThekweni municipality is committed to support the small business sector, challenges and difficulties are being experienced by the manufacturing sector within this municipality. The major challenge that hampers growth of the manufacturing businesses operating within eThekweni municipality includes limited access to capital, the challenging business environment, limited managerial skills, technology and globalisation as well the regulatory environment. Chapter three will review the research methodology and data collection techniques that were used in this study.

CHAPTER THREE

Research Methodology

3.1 Introduction

The aim of this study was to acquire insight into the challenges facing manufacturing businesses operating within eThekweni municipality. Chapter three discusses the research methodology and data collection techniques. The research and survey design is discussed and focuses on namely the data collection, management and data analysis procedures.

According to Sekaran and Bougie (2010), research methodology is the method that is used to gather information for the research task by specifying the sampling design, target population and the sampling method used. The correct sampling methods are vital in any research conducted and this can include survey questionnaires, postal surveys or interviews. Furthermore, statistical tests, methods of data analysis, and other techniques are vital attributes of a research study

For this study, interest on the design and organisation of the questionnaires and the data collection and analysis methods were articulated. The mechanism of data collection and the management of the mechanism including their reliability and legitimacy were also described. This chapter also observed the diverse statistical tests that were used to analyse the data gathered, the reliability and legitimacy of the results including the limitations in data collection.

3.2. Aim and Objectives of the Study

This study looked at the challenges facing manufacturing businesses within eThekweni municipality by investigating the data collected from different businesses operating in this area as listed by the Durban Chamber.

The objectives of the study were:

- To examine what are the factors that affect the growth of manufacturing businesses within eThekweni Municipality.
- To establish what opportunities exists for manufacturing entrepreneurs to grow their businesses within eThekweni Municipality.
- To examine what are the critical factors that will bring the success of manufacturing businesses within eThekweni Municipality.
- To investigate whether there is a link between the perceived problems and the
- level of business skills business owners poses.
- To investigate how entrepreneurs experience and deal with dilemmas associated with running business.

3.3. Participants and Location of the Study

This study covered the manufacturing businesses of eThekweni municipality. The manufacturing industry is responsible for the production of an extensive variety of products including food and beverages, chemicals, clothing and metal products of all kind. This industry provides in the region of 20% of official employment within the eThekweni municipality area. As pointed out by Gono (2005), a greater portion of the

manufacturing activities in South Africa is spread across different sectors namely textiles, food processing, media and publishing houses, clothing, footwear, chemicals, plastics, metals and metal products and transport.

This study was conducted in Durban seeing that the study targeted the manufacturing businesses in the eThekweni area. The respondents of the study were the owners of these manufacturing businesses as these were the key players in this type of industry. The respondents were in the position to provide the critical information or data that was needed to fulfil the objectives of this study and also provide detailed insight into the manufacturing businesses in particular businesses operating within the manufacturing industry. All respondents were from the eThekweni municipality as this study was centred upon this area.

3.4 Data Collection Strategies

Quantitative research was carried out to meet the objectives of this study. This proved to be the ideal and an effective way to acquire the data needed by the study. According to Chipp (2007), the quantitative research method is employed when the researcher seeks to either determine the degree to which the problem is present or the impact thereof in the area being researched. This study covered a sample of manufacturing businesses operating within the eThekweni municipality irrespective of legal status as listed by the Durban Chamber of Commerce. The survey was designed to extract key data from the respondents included in this sample. A software-based research tool known as questionpro was used to administer the questions for this study. Questionpro is an online, web based software survey which allows quick and convenient questionnaire administration as well as other attributes that allow effective data analysis which includes polling, statistical measuring opinions or results, data gathering, trend analysis and data extrapolation. This tool is designed to apply to any industry.

For the purposes of this study, the probability sampling method was used as this sampling method utilises some form of random selection. There are over 1,300 manufacturing businesses that are registered with the Durban Chamber and these businesses are largely in the small and medium sized group. For the purpose of this research, a sample of hundred (100) small sized businesses located in eThekweni will be studied. On scrutiny of the database of businesses as listed by the Durban Chamber, notable that some of the businesses listed were operating outside of the eThekweni municipality with an average of 500 businesses applying their trade directly within the eThekweni municipality. According to Cant (2002), a sample size between 100 and 500 is considered very well to excellent where factor analysis is to be undertaken for quantitative consumer surveys.

3.5 Research Design and Methods

This section related to the research methodology and design strategy to be used in the study and focused on the research design and methods. For the purpose of this study the research methodology and strategy design focused on research design and methods. De Wet (2007) is of the view that an imperative aspect of research activity is to develop an effective research design. The research design must include methods of investigation that is most suitable, types of data, the sampling plan (qualitative or quantitative) and the nature of the research instrument. According to Tustin (2005), a specific research problem or opportunity is addressed by the development of a framework. In order to realise the research objectives or hypotheses the research design must be followed as it specifies the procedures and methods for the collection and analysis of the required information.

3.5.1 Description and Purpose

The study focused on quantitative data which came from the participant's responses. The total number of respondents targeted by the study was a number of 100. The link to the electronic survey questionnaire along with the informed consent form was sent to each of them via email. QuestionPro was the tool used to design the questionnaire and the questionnaire itself consisted of 22 structured questions. The first 5 questions focused on the respondents demographics while the other 17 questions were based primarily on the study itself. The purpose of the questionnaire was to acquire the necessary data needed for the study.

3.5.1.1 Construction of the Instrument

QuestionPro is a powerful analysis tool which allows quick and convenient questionnaire administration as well as other attributes that allow effective data analysis which includes polling, statistical measuring opinions/results, data gathering, trend analysis and data extrapolation. This questionnaire was based on likert-scaling as this proved to be most appropriate for the study. As noted by Sekaran, *et al* (2010), Likert scaling is one of the most frequently used numerical scale to measure attributes and behaviours in an organizational research. Likert scaling hence proved to be vital in gathering validated data for this study. By allowing the respondents to choose the appropriate options presented in the likert scale format, this enabled less room for ambiguity and confusing data. Nominal scaling was also used to ensure further validity as this allowed the researcher to assign subjects to certain categories or groups.

3.5.1.2 Recruitment of Study Participants

The study focused on the manufacturing businesses operating within eThekweni municipality. The respondents were businesses from eThekweni area. The contact details of the respondents were attained from a regional database of businesses via the Durban Chamber of Commerce. Once the contact details were obtained, an email was sent out to each of the respondents explaining the essence of the study and enquired their permission to participate. Once this was done, the informed consent and electronic survey link was sent out also via email. The questionnaires were administered between the 1st of September 2011 and 28th September 2011.

3.5.2 Pretesting and Validation

Pre-testing the questionnaire is an essential step before its completion as it aims to make sure that the wording of questions and to acquire information on closed ended questions with an aim to design a multiple choice design in the final questionnaire. As noted by Sekaran, *et al* (2010), pre-testing has a number of advantages which includes identification of possible ethical problems, helps to determine if the research questions or hypotheses are appropriate and provides information on the feasibility and the appropriateness of the sampling method. The researcher used MBA students as well individuals in the business environment to evaluate the appropriateness of questionnaires and as well as conducted a pre-test on respondents who were not an element of this study. There were no major areas of concerns that were noted or experienced and the data received were reconciled with what it was planned to collect. As noted by Sekaran, *et, al* (2010), validity refers to an mechanism which measures what the questionnaire is supposed to measure.

Kumar (2005), argued that conclusion based upon larger samples have additional assurance compared to those based on smaller ones. He noted that the larger the

sample size, the more precise the conclusion would be therefore the utilisation of different kinds of questions do not have an effect on the validity and reliability of the questionnaire. The sample size used for this study was large enough from the entire population and this is an indication that it does not necessitate validity testing.

3.5.3 Administration of the Questionnaire

QuestionPro was used for the entire administration of the electronic surveys. The quantitative questions were designed in line with answering the research questions of the study and meeting the objectives. The majority of the questions were close-ended but some were open-ended to allow further feedback from the respondents. A - 5 point Likert scale was used for several close-ended questions. For example, what are the dominant reasons for the chosen markets? (Please rate each reason). Using the Likert scale is an efficient technique for attaining reliable assessment responses and enables the participants to present responses that are a little more unreserved than a simple close-ended question (Parnaby, 2006). The questionnaires were administered between the 1st of September 2011 and the 28th of September 2011. Three reminders were sent to ensure that proper follow-up on the responses were done. The study targeted one hundred respondents of which fifty-three responded giving a response rate of 53%. The

3.6 Analysis of the Data

Data analysis was conducted using descriptive statistics which proved to be appropriate given the sample size. As questionnaire was the tool used to gather the quantitative data, data collected was collated and stored via questionpro software and exported to microsoft excel where further and detailed analyses was conducted. Cross tabulations were also conducted on a few of the variables in the study and these enabled the researcher to give an explanation and the significance of the information better. The data was presented in a graphic format generated via Microsoft excel. Data collected

from the survey was analysed frequencies as an analysis method. The analysis was undertaken to establish the degree of relationships between some pertinent factors and issues as well as to show the significance of each factor. Descriptive analysis was used to provide evidence of the impact the selected factors have on manufacturing business operating within the eThekweni municipality. The graphs were depicted in the analysis chapter of this study (chapter 4).

3.7 Chapter Summary

The section outlined the research procedure or process the researcher employed within this study in unpacking the challenges facing manufacturing business operating with eThekweni municipality. When designing the questionnaires the questionpro software was used to design and administer questionnaires. As the study was centered around eThekweni municipality, the researcher recruited respondents within this area as they have insights of the challenges faced by manufacturing businesses operating within this municipality. A dialogue of the study's analysis research design was presented and implementation was warranted. The sampling method, the scope of the survey as well as the organisation of the survey were comprehensively discussed. The researcher also explored the data collection methodology used for the research study and explained the underlying principle for choosing the QuestionPro a software to design and administer the questionnaires.

The following chapter discusses the results and focused on the feedback of the participants to the questionnaires. Data analysis is presented in pie charts, tables and in a bar chart format to support the examination of the data. This chapter also focused on the editing, coding and processing of data and the statistical packages used to analyse data. The reliability of the results was also examined in this chapter. The researcher also discussed the mistakes that can have an effect on the validity of the results and the techniques that will be used by the researcher to reduce such errors.

CHAPTER FOUR

Presentation and Discussion of Results

4.1 Introduction

This chapter focused on the presentation of the research data. The collected data is broken down into two elements being (i) demographics and (ii) factors affecting manufacturing businesses within eThekweni municipality of which the researcher analysis separately and translates into results. Data is presented using descriptive statistics. Each section of the applicable questions will be provided as well as the reasoning for asking them. The obtained answers will be presented in the form of pie graph and bar charts which were used to aid the analysis of data because they are deemed as effective illustrations of depicting relations and trends.

The questionnaires were administered using QuestionPro and the questions targeted the manufacturing businesses operating within the eThekweni municipality. Variable numbers were assigned to every question and its workings, in the questionnaire, so that feedback can be grouped into a narrow set of categories. This is necessary for the professional examination of the questions. The questionnaires were distributed to 100 respondents using QuestionPro software and out of 76 respondents who access the link, 43 completed the survey which resulted in the completion rate of 79%. Respondents were advised that participation to the survey is voluntary and that there is no monetary gain therefore they may opt out of the survey should they wish not to partake in the survey. The initial response was poor therefore two reminders were sent out to respondents using Questionpro as a reminder to partake or complete the survey.

4.2 Demographic data

The demographic factors related to the manufacturing businesses operating within eThekweni municipality were discussed under this section identified and discussed. Aspects related to the entrepreneur such as gender, racial group, the level of education, legal status of business, years in business, business turnover and motivating factors for starting business as well as experience of members of the management team would be discussed in this section. To attain essential information about the respondents, the demographic data is essential. It also provides a better analysis of results it also provide means for identifying differences in responses by subgroups such as gender and educational background.

4.2.1 Gender of Respondents

Respondents were asked to indicate their gender profile. The aim of this question was to determine the gender of manufacturing entrepreneurs operating within eThekweni municipality. The results are as illustrated on figure 4.1.

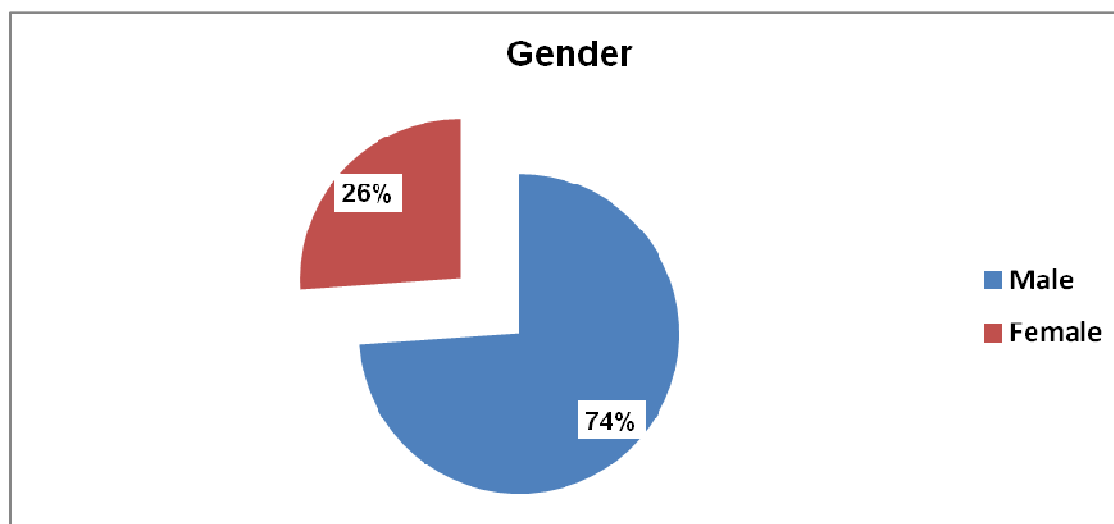


Figure 4. 1 Gender Profile of Respondents.

The results reflected that 74% of the respondents were male and only 26% of the respondents were female managed manufacturing businesses. Results are illustrated in figure 4.1 above.

4.2.2 Racial Profile

Respondents were asked to indicate their racial profile. The intention of this question was to examine the racial profile of entrepreneurs that own and manage manufacturing businesses within eThekweni municipality. The responses are illustrated in Figure 4.2

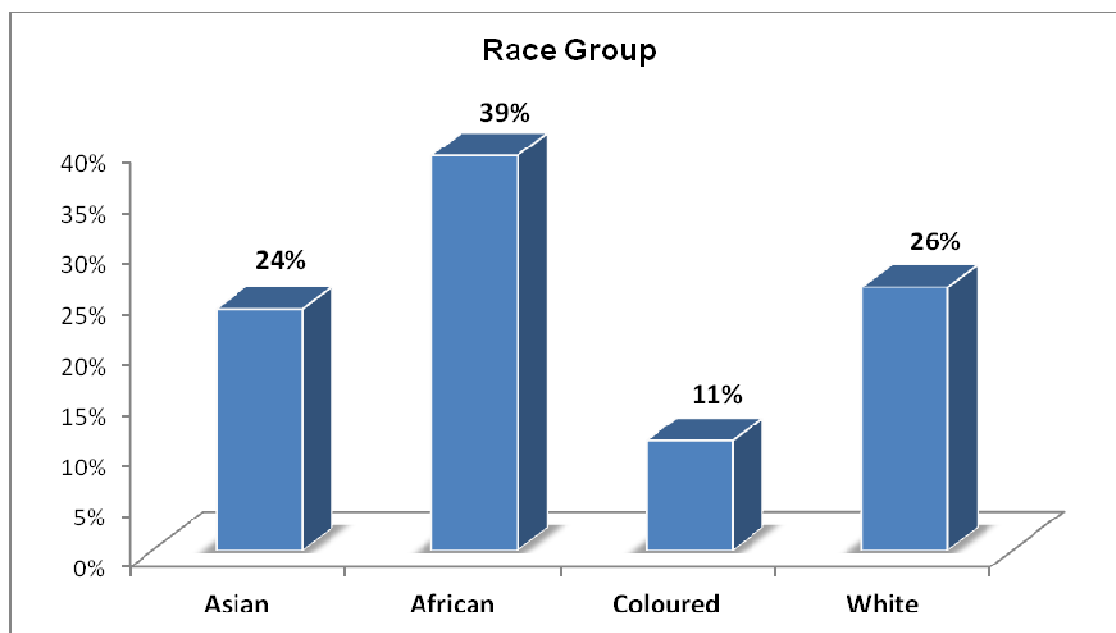


Figure 4. 2 Respondents' Racial Profile

As indicated by research results in Figure 4.2, research results reflected that 24% of the respondents indicated businesses were owned or managed Asians, 39% owned or managed by Africans, 11% by Coloureds and 26% owned or managed by Whites.

4.2.3 Level of education

Respondents were asked to indicate their level of education. The aim of this question was to establish the educational background of the manufacturing business owners. The results are as indicated in Figure 4.3

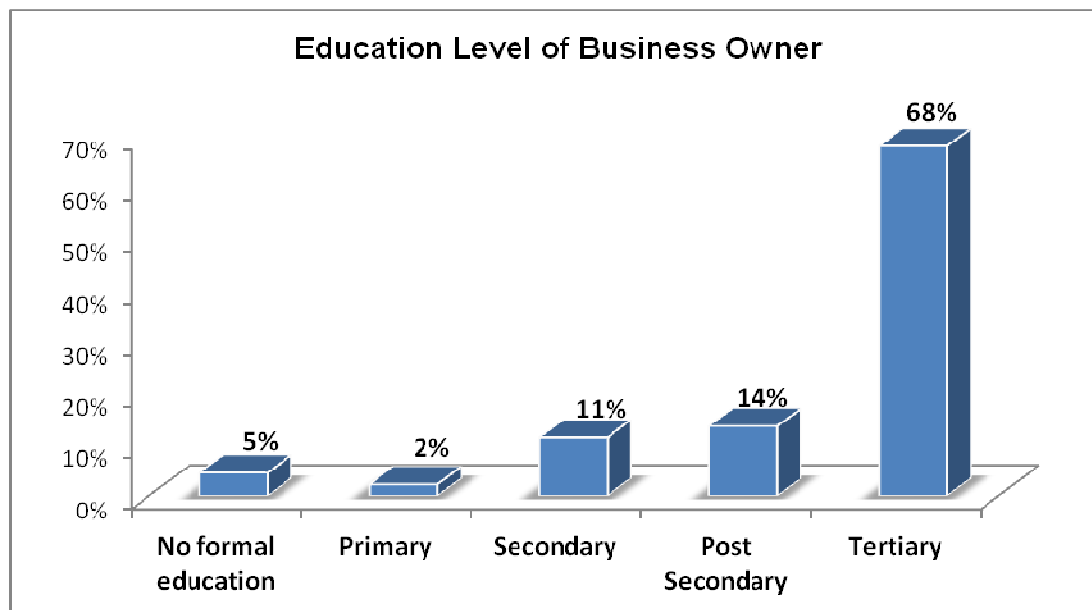


Figure 4. 3 Educational Level of Respondents.

The survey results in figure 4.3 indicated that 5% of the respondents have no formal education, only 2% have primary education level, 11% have secondary education, a4% have post secondary qualification and 68% have tertiary qualification.

4.2.4 Nature or Legal Status of Business

This question asked respondents to indicate the nature or legal status of businesses they own or manage. The purpose of this question was to establish the nature or legal status of manufacturing business operating within the eThekweni municipality. Figure 4.4 indicated the respondent's results.

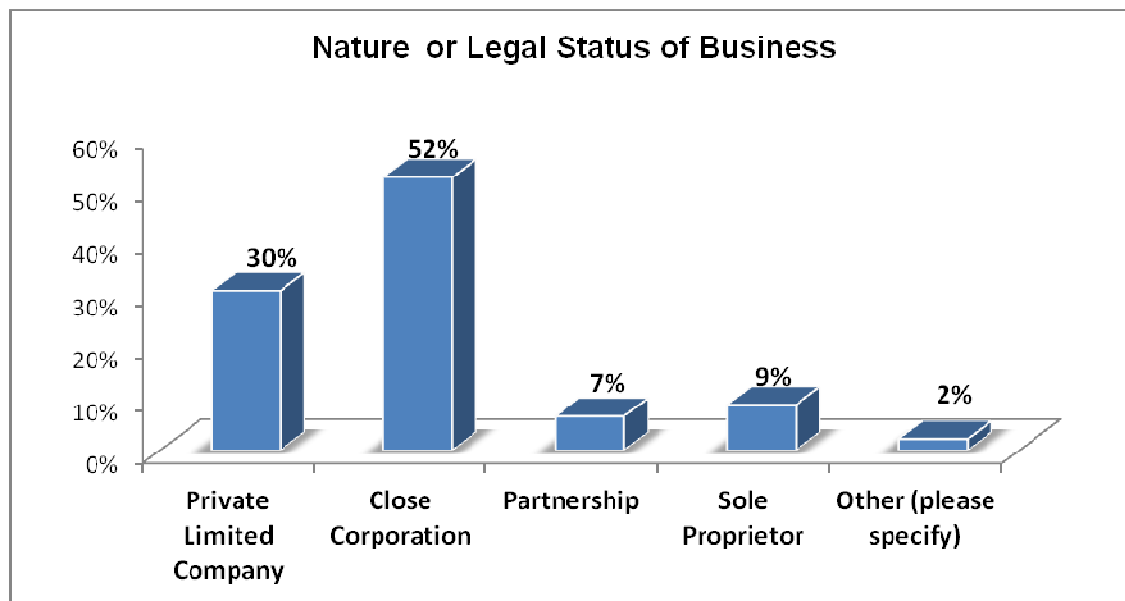


Figure 4. 4 Nature or Legal Status of Business

Presented results indicated that 30% of the manufacturing businesses are operated as private limited companies, 52% registered as close corporations, only 7% managed as partnerships, 9% sole proprietors and 2% managed as other unspecified businesses. Data is illustrated in Figure 4.4.

4.2.5 Type of Industry

The intended outcome of this question was to establish whether manufacturing businesses operating within eThekweni municipality operates in other sectors. Although businesses were registered as manufacturing industry, some of the businesses could have diversified to the other sectors and as such could distort the results of the survey. The responses are illustrated in Figure 4.5

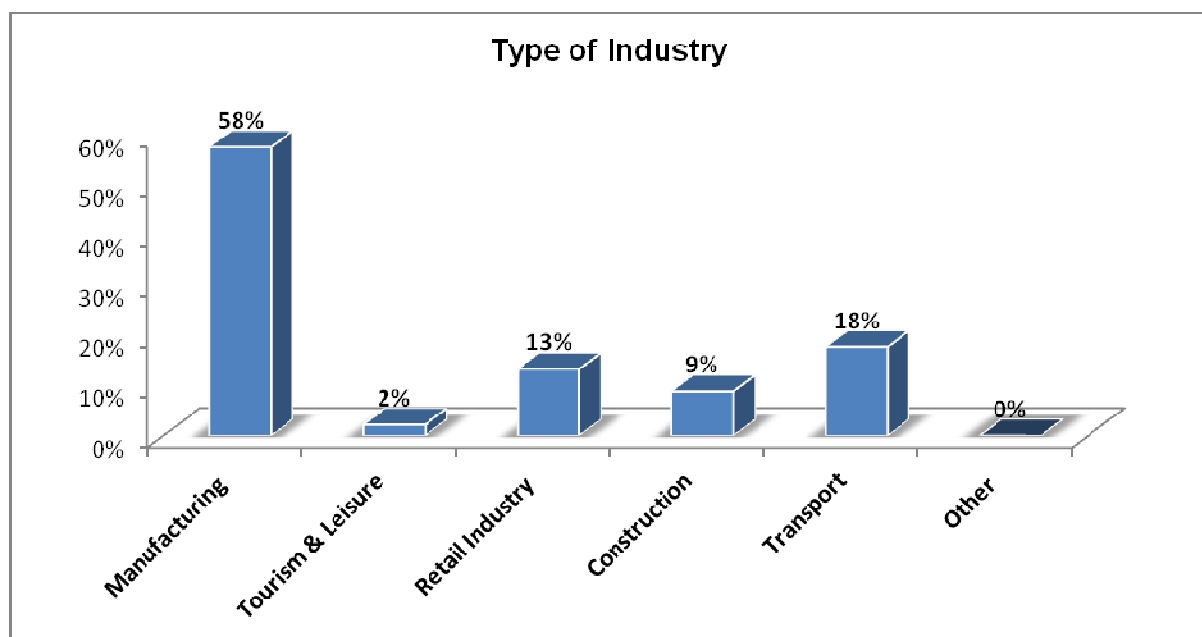


Figure 4. 5 Type of Industry

Research findings in figure 5.5 reflected that 58% of the respondents indicated that the main or core business industry they operate in is the manufacturing sector, 2% they have diversified to tourism and leisure, 13% of the respondents that they also operated within the retail industry and 18% of the respondents also operate within transport sector. The research results could be an indication that although the businesses are registered as manufacturing businesses, they could have either diversified or changed the industry they operate in to other sectors.

4.2.6 Period of Business in Operation

The question asked to respondents was to indicate the period their firms have been in business. The purpose of this question was to establish the period in which the respondents have been operating manufacturing business in this area of study which is associated with the experience of entrepreneurs. Research results are as indicated in Figure 4.6

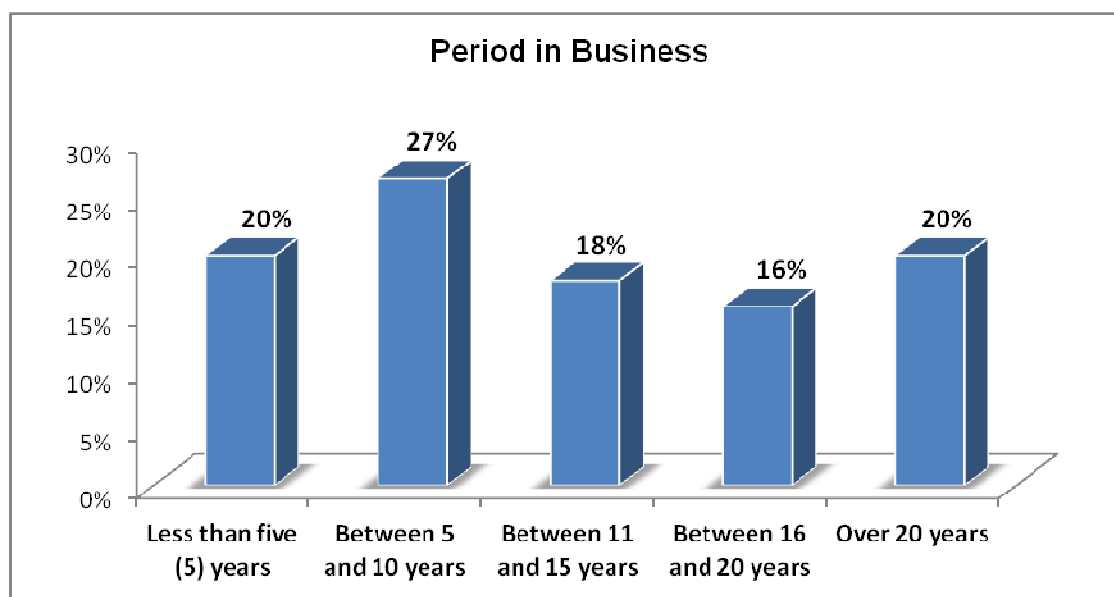


Figure 4. 6 Period of Business Operation

Figure 4.7 results indicated that 20% of the respondents have been in business for less than five years, 27% of the businesses have been in operation between 5 and 10 years, 18% between 11 and 15 years, 16% between 16 and 20 years and 20% of the businesses have been in operation for more than 20 years.

4.2.7 Company's Annual Turnover

Respondents were asked to indicate annual turnover their businesses are generating. The purpose of this question was to establish the turnover range of the manufacturing business operating within eThekweni municipality in line with the definition of small business based on turnover. Small business is defined as any business that has a turnover of less than R10 million per annum. The responses are illustrated in Figure 4.7

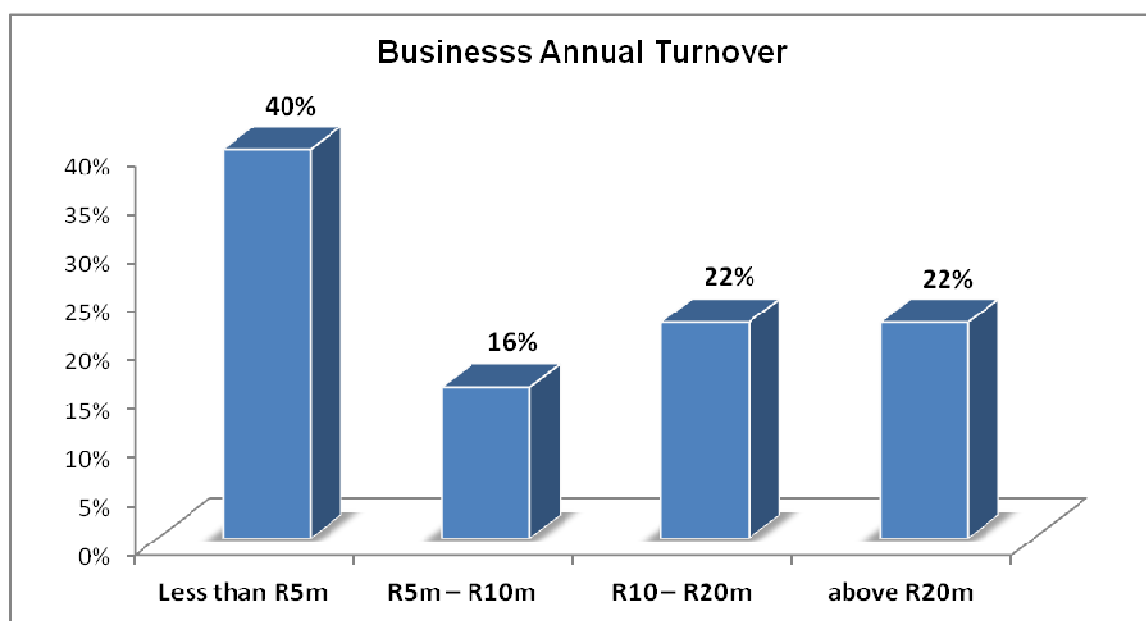


Figure 4. 7 Annual Turnover

Respondents indicates that 40% of the businesses have an annual turnover of less than R5 million, 16% with an turnover of between R5 million and R10 million, 22% of the businesses have and annual turnover of between R10 million and R20 million with 22% of the businesses indicated as turning over R20 million.

4.2.8 Motivating Factors for Starting Business

The questions asked to respondents: What were the factors that motivated you to start business. The aim of this questionnaire was understand the factors that motivated the entrepreneurs to start their businesses as they are often associated with the reasons for the success or failure of most businesses. Figure 4.8 illustrated response results.

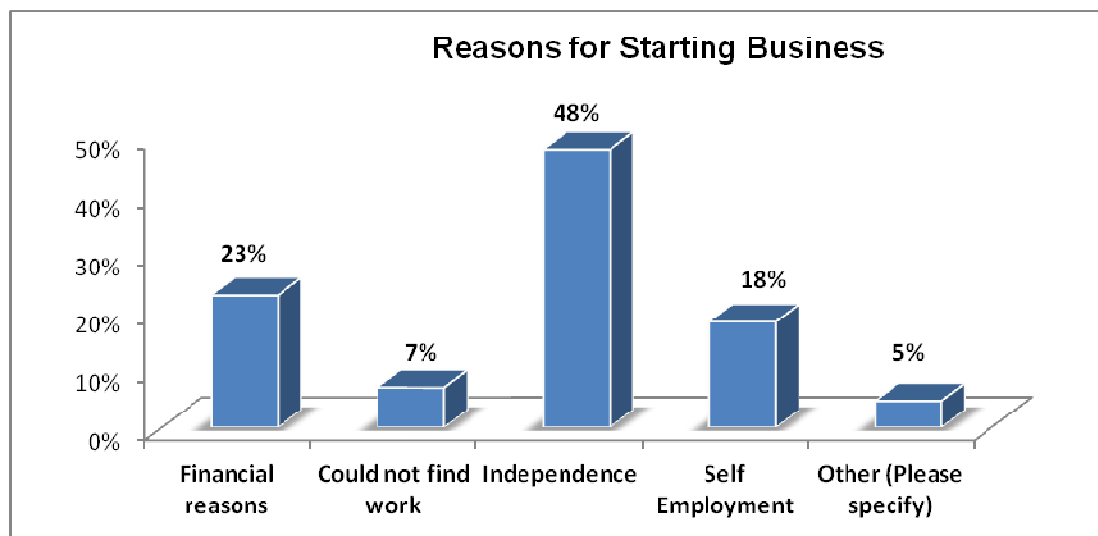


Figure 4. 8 Motivating Factors for Starting Business.

From the responses to the survey, 23% of the respondents indicated that they started their business for financial reasons, 7% started their businesses as they could not find work, 48% of the respondents indicated that they started for independence, 18 for self employment and only 5% started their businesses for other unspecified reasons. The data is illustrated in figure 4.8.

4.2.9 Work or Management Experience.

Respondents were asked to indicate past work experience. This question sought to establish the level of work or managerial experience for the entrepreneurs within the manufacturing industry. The level of skills indicates the knowledge levels of

entrepreneurs and the ability to deal with strategic and complex issues. The responses are as shown in Figure 4.9

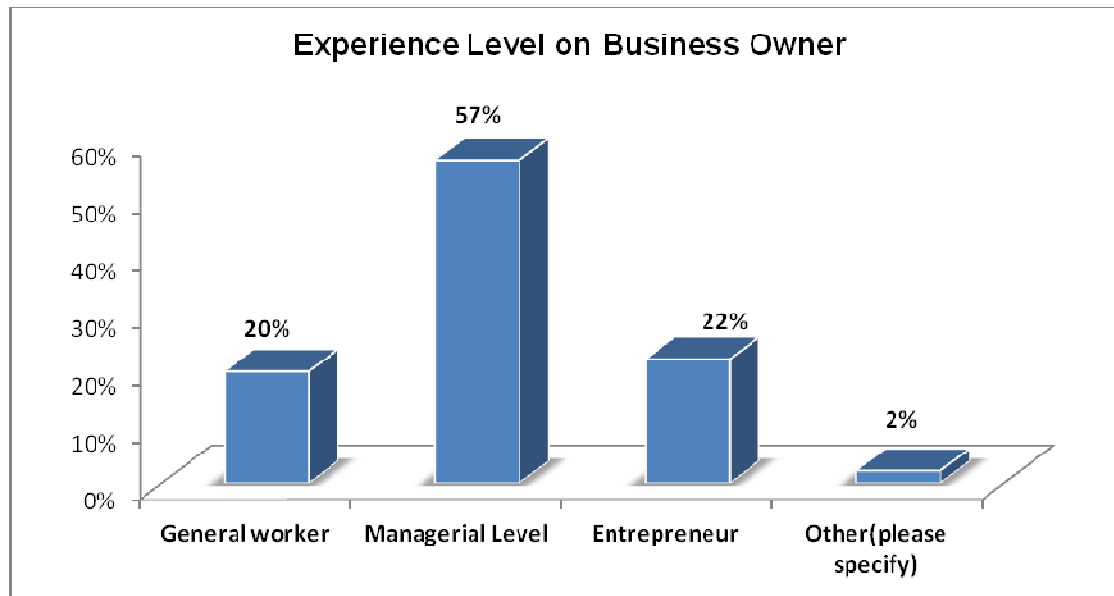


Figure 4. 9 Work or Managerial Experience

Results from the survey data reflected that 20% of the respondents have worked as general workers, 57% of the respondents have at least managerial experience, 22% have entrepreneurial experience and only 2% have other form of experience. The survey results are presented in Figure 4.9.

4.2.10 Level of Academic Qualification of the Management Team

The purpose of this question was to get and understanding the academic qualification of the management team or decision makers within this industry. The responses are illustrated in Figure 4.10

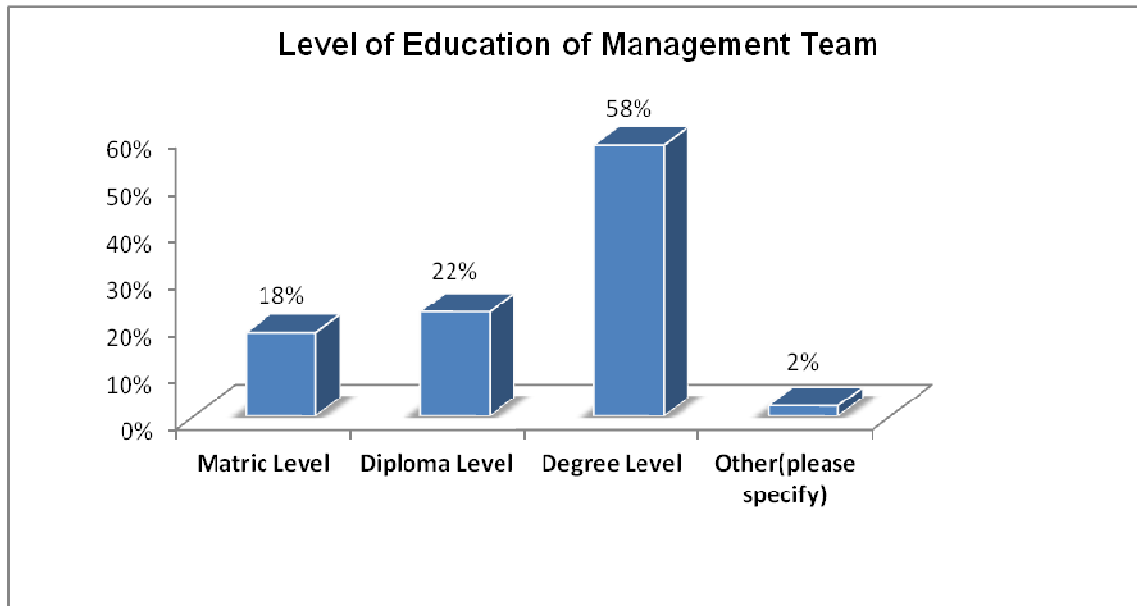


Figure 4. 10 Academic Qualification of Management Team.

From the survey results as per below figure indicated 18% of the respondents have only matric as a form of qualification, 22% have diplomas, with 58% of the respondents indicating that they have management team with qualifications at a degree level and 2% indicated with some form of unidentified qualification. Figure 4.10 illustrates the results.

4.2.11 Level of Experience of the Highest Decision Maker

The purpose of this question was to get an understanding of the level of experience of the highest decision maker within the manufacturing industry. The results from the survey are indicated in Figure 4.11 below.

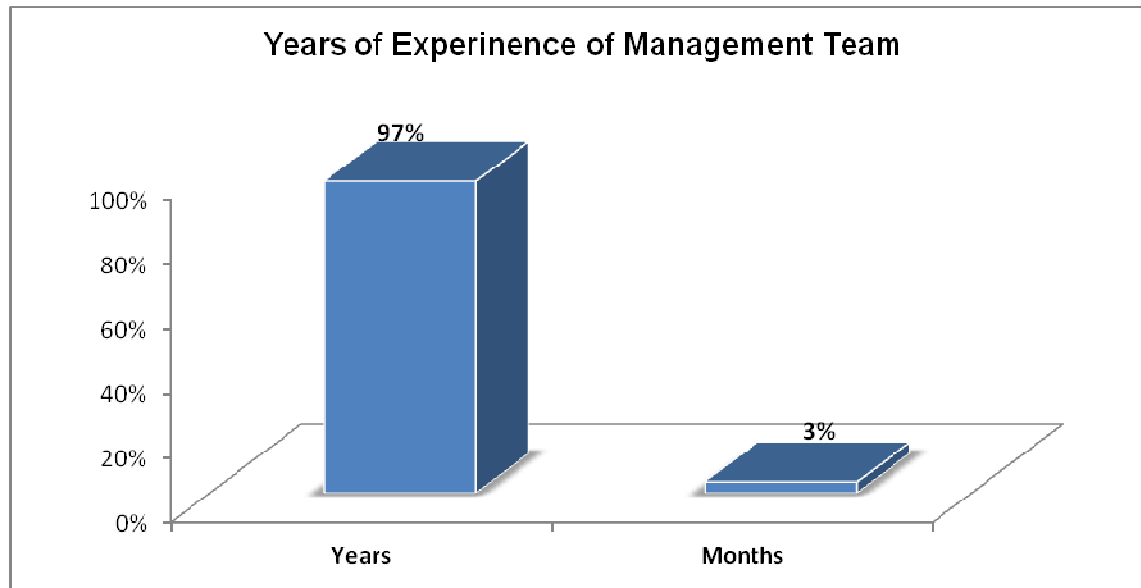


Figure 4. 11 Level of Experience of Management Team

Research results reflected that 97% of the respondents indicated that the management team within this industry has years of experience and only 3% indicated management team experience in months. Research results reflected that 97% of the respondents indicated that the management team within this industry has years of experience and only 3% indicated management team experience in months. The data results are reflected in Figure 4.11.

4.2.12 **Years of Practical Experience of the Most Qualified Management Team**

The aim of this question was determine the years of experience of the most qualified member of the management team. Figure 4.12 below indicated respondent's results.

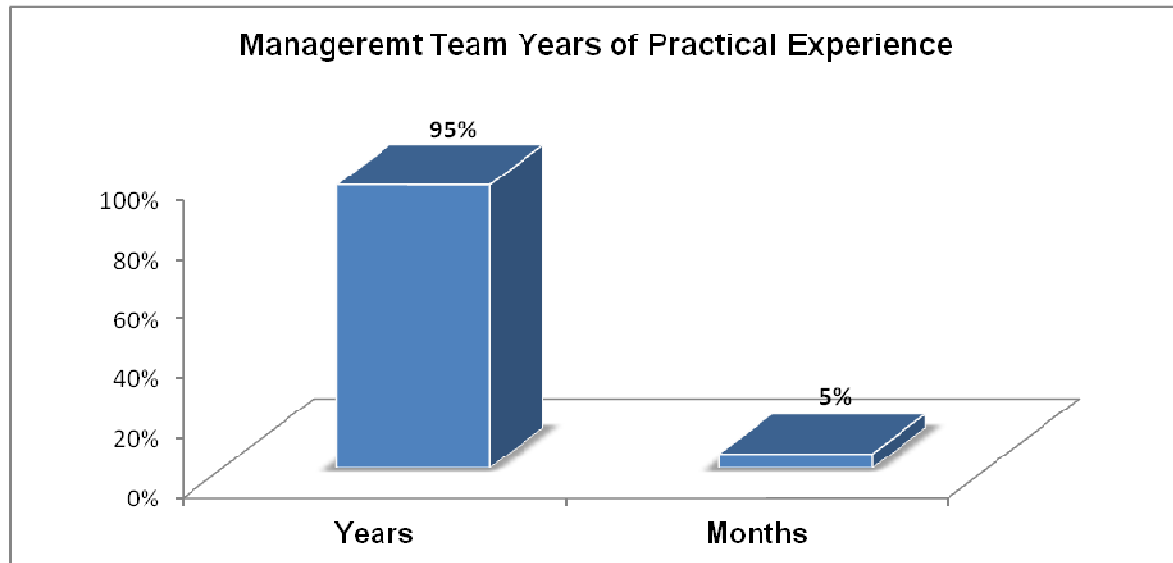


Figure 4. 12 Experience Level of the Management Team.

From the survey data presented, respondents indicated that 95% of their management team have accumulated years of experience with only 5% of the respondents who indicated that their management team(s) have months of experience as presented on figure 4.12.

4.3 Challenges Facing Manufacturing Business

This section discusses questions which were aimed at determining the factors that affect manufacturing businesses within eThekwni municipality. The questions posed to respondents aimed to contribute a broader understanding of what entrepreneurs within this industry see as the important factors that affect growth and profitability of manufacturing businesses that operates within the area of study. The questions discussed in this subdivision were developed with the research objectives of this research in mind namely i.e. to establish what opportunities exists for manufacturing entrepreneurs to grow their businesses, factors that negatively influences the success of manufacturing businesses, to investigate whether there is a link between the

perceived problems and the level of business skills business owners poses as well as to understand how entrepreneurs experience and deal with dilemmas associated with running business.

4.3.1 Important Factors that Affect Manufacturing Businesses

Respondents were asked to identify factors that affect manufacturing businesses in order of importance with 1 being very importance and 7 being the least important factor. This question was intended to establish the most important factors that entrepreneurs would consider to have the greatest impact on their manufacturing businesses within eThekweni municipality. The factors that were considered include skills, access to finance, government bureaucracy, environmental factors, technology and globalisation. The rating scale used to measure these factors were defined as one being the greatest impact, two being the highest, three high, four indecisive, five low, six being the lowest and seven with the least impact. The responses are illustrated in Figure 4.13.

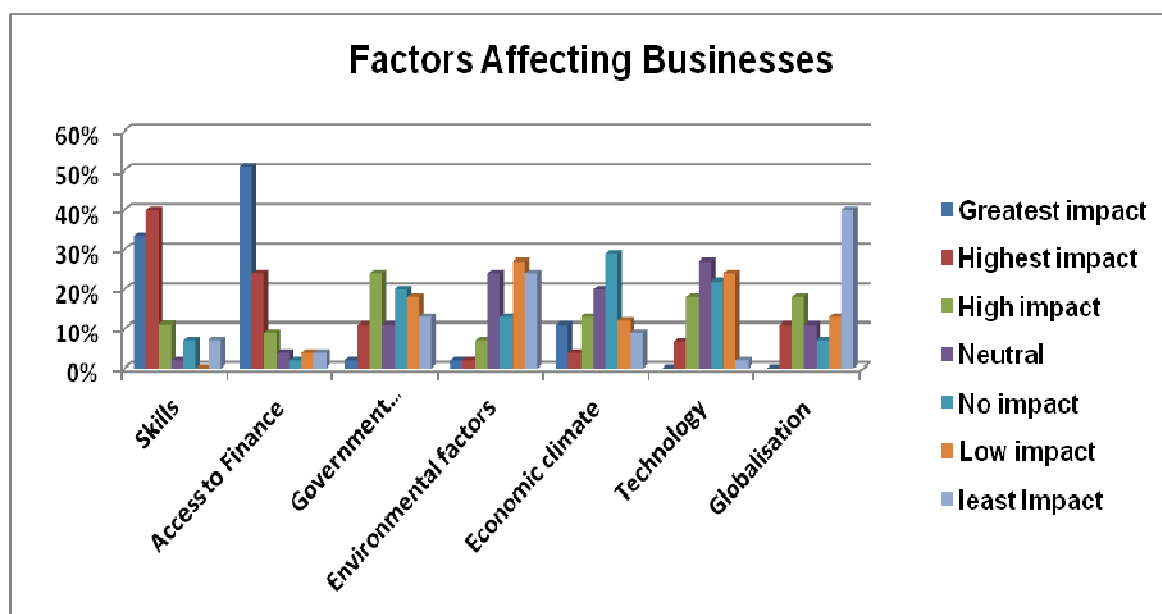


Figure 4. 13 Factors Affecting Manufacturing Businesses.

Skills

When respondents were asked to indicate whether skills affected manufacturing businesses, survey results presented indicated that 33% of the respondents noted that skills as the greatest impact, 40% the highest impact, 11% high impact, 7% indecisive and also 7% indicated that skills have the least impact on their business.

Access to Finance

Survey results indicated that 51% of the respondents showed that the access to finance has the greatest impact to manufacturing businesses, 24% highest impact, 9% high impact, 4% indecisive, 2% indicated that it has low impact, 4% lowest impact and also 4% indicated that it has no impact on the business.

Government Bureaucracy

Research findings reflected that only 2% of the respondents indicated that government bureaucracy has the greatest impact to businesses, 11% highest impact, 24% high impact, 11% indecisive, 20% indicated that it has low impact, 18% lowest impact and 13% believed that it has no impact on the business.

Environmental Factors

The research data indicated that 2% of the respondents indicated that environmental factors has the greatest impact and 2% highest impact on the businesses, 7% believed that environmental factors have high impact, 24% indecisive, 13% indicated that it has low impact, 27% lowest impact and also 24% indicated that it has no impact on the business.

Economic Factors

The survey results indicated that 11% of the respondents indicated that economic factors have the greatest impact to manufacturing businesses, 4% highest impact, 13% high impact, 20% indecisive, 29% indicated that it has low impact, 13% lowest impact and also 9% indicated that it has no impact on the business.

Technology

When asked about technology, findings indicated that 7% of the respondents indicated that technology has the highest impact to manufacturing businesses, 18% high impact, 27% indecisive, 22% indicated that it has low impact, 24% lowest impact and only 2% indicated that it does not affect the business.

Globalisation

Survey data indicated that 11% of the respondents believe that globalisation has the highest impact to growth of manufacturing businesses, 18% high impact, 11% % indecisive, 7% indicated that it has low impact, 13% lowest impact. At least 40% of the respondents indicated that it has no impact on the business.

4.3.2 Factors Affecting Manufacturing Businesses during the First Three Years

Respondents were asked to identify factors that affected their businesses within the first three years of the start of their businesses. The purpose of the question was to identify what are the key problems that affect entrepreneurs during the first three years of their business operation. Past research studies have indicated that the high failure rate exists

in businesses during their first three years. The responses gathered through survey questionnaire are reflected in Figure 4.14

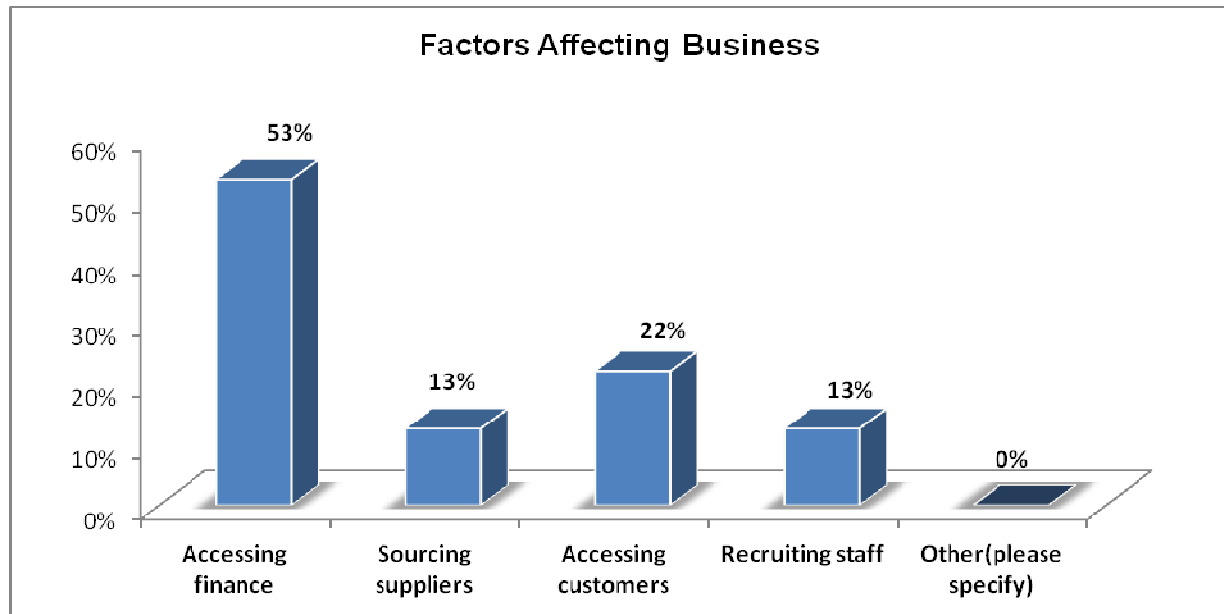


Figure 4. 14 Factors Affecting Business during the First Three Years

Research findings reflect that 53% of the respondents indicated that access to finance is the dominant problem they faced with, 13% sourcing suppliers, 22% related to accessing customers and 13% recruiting staff as illustrated by research data in figure 4.14 below.

4.3.3 Business or Managerial Skills

The purpose of this question was to understand what management skills entrepreneurs within the manufacturing industry of eThekweni municipality were key to the success of the business. The questionnaire focused on change management, failure as a learning

experience, planning, employee involvement in planning and the importance of control. The responses are illustrated in Figure 4.15.

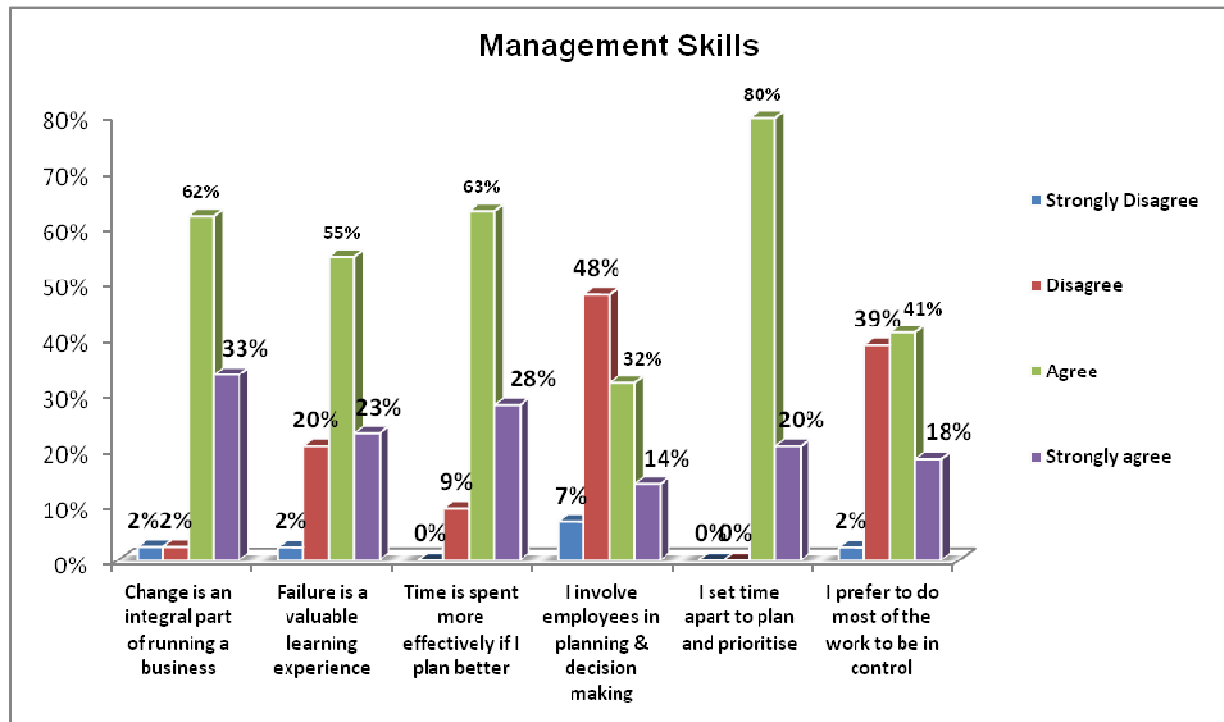


Figure 4. 15 Management Skills

Change

Survey results indicated that only 2% of the respondents indicated they strongly disagree that change is an integral part of their business, 2% disagreed, 62% agreed and 33% strongly agreed.

Failure

Respondents were also asked to indicate whether they agreed that failure in business is a valuable learning experience, research findings indicated that 2% of the respondents

strongly disagreed, 20% disagreed, 55% agreed and 23% strongly agreed. When respondents were asked whether time is spent effectively when they plan better, 9% disagreed, 63% agreed and 28% strongly agreed.

Employee Involvement

Respondents were asked to indicate whether they involve employees in planning and decision making. Survey data indicated that 7% of the respondents strongly disagreed with employee involvement, 48% disagreed, 32% agreed and 14% strongly agreed.

Time for Planning

When asked about setting time apart to plan, 80% of the respondents agreed that they set time apart to plan and 20% strongly agreed. Respondents were also asked whether they preferred to do most of the work to be in control and 2% of the respondents strongly disagreed, 39% disagreed, 41% agreed and 18% strongly agreed.

Control

This question intended to establish whether respondents delegate important tasks of the business or preferred to be in control. Survey results indicated that only 2% of the respondents indicated they strongly disagree that they prefer control, 39% disagreed, 41% agreed that they prefer to do all the work to be in control and 18% strongly agreed.

4.3.4 External Support

Respondents were asked to indicate what type of external support they currently use. This question was intended to establish what external support the owners businesses within the manufacturing industry of eThekweni use. Entrepreneurs are the brains behind the success of their business, they get involved in all functions of the business however

due to limited skills or capacity and some of the support functions are sourced externally. The gathered respondents' results are illustrated in Figure 4.16.

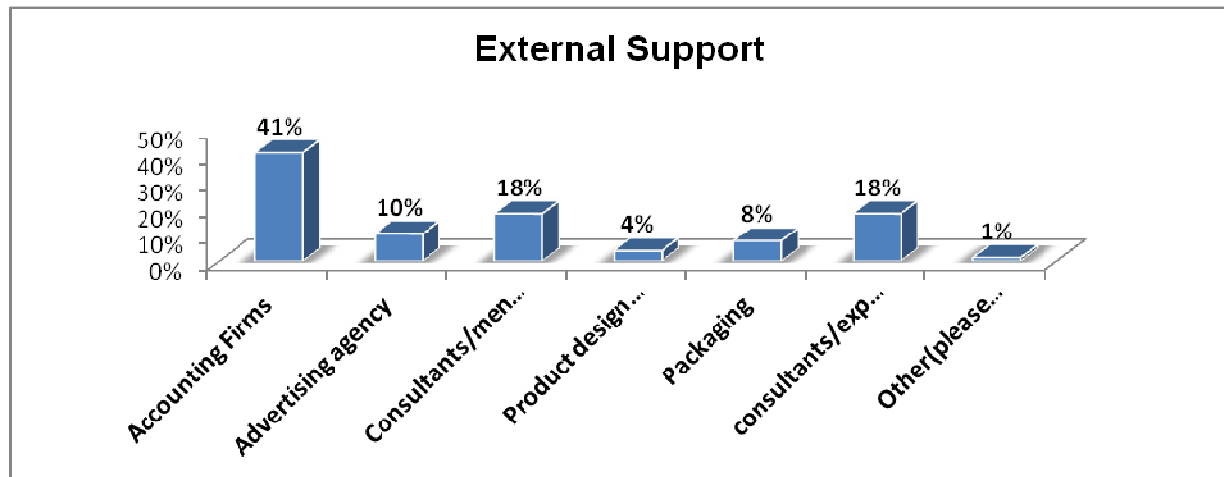


Figure 4. 16 External Support

Results findings indicated that 41% of the respondents use accounting firms as an external support, 10% utilise advertising agencies, 18% utilise consultants or mentors, 4% utilise product design experts, 8% use packaging and 18% consult industry consultants or experts, with only 1% utilising other undefined means for support. Survey data is reflected in Figure 4.16 above.

4.3.5 Business Finance

The purpose of this question was to establish how entrepreneurs within the manufacturing industry finance their businesses. The responses are illustrated in Figure 4.17.

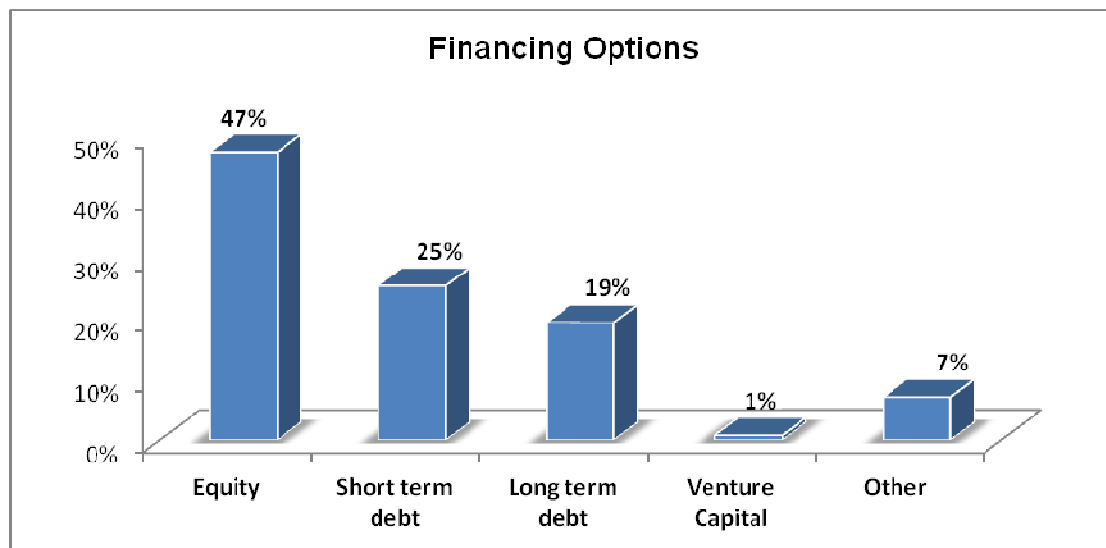


Figure 4. 17 Financing Options

The below results in Figure 4.17 indicated that 47% of respondents financed their businesses via equity finance, 25% used short term debt, 19% long term debt and 7% of the respondents used other means of financing which were not defined.

4.3.6 Financial Control or Management

The aim of this question was to determine who is accountable for monitoring the financial affairs of the business. The responses are as reflected in Figure 4.18.

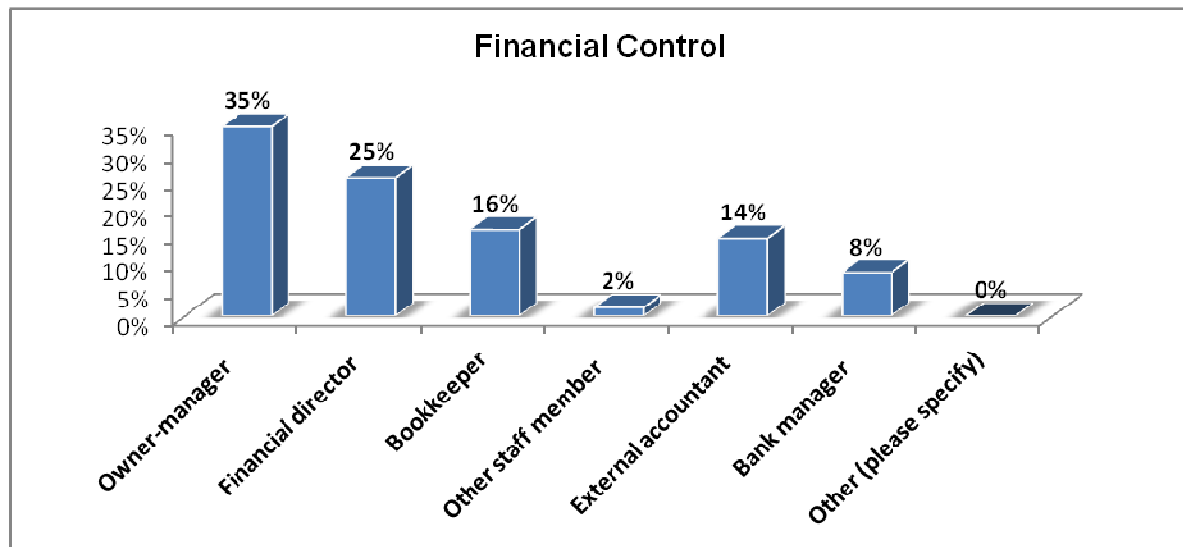


Figure 4. 18 Financial management or control

The above presented research data as per figure 4.18 showed that 35% of the respondents indicated that they are responsible for management of the business finances, 25% uses the services of the financial director, 16% are dependant on the bookkeeper, only 2% uses staff members, 14% use external accountants and 8% relies on their bank managers

4.3.7 Financial Challenges Impacting Businesses

This question was aimed at determining whether factors associated with finance affect the growth of manufacturing businesses within eThekweni municipality. Figure 4.19 illustrated respondents' results.

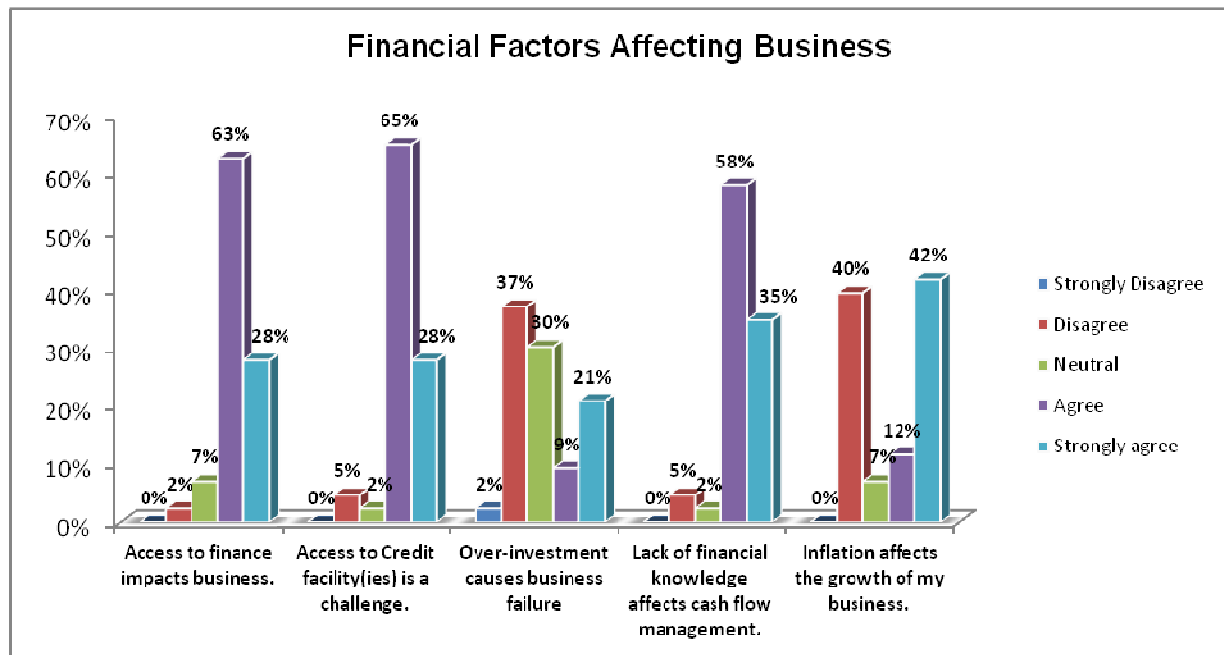


Figure 4. 19 Financial Factors

Access to Finance

Presented research results indicated that 2% of the respondents disagreed that access to finance impacts their business, 7% were indecisive, 63% agreed and 28% strongly agreed.

Access to Credit

Respondents were asked to rate whether access to credit facilities is a challenge and 5% disagreed, 2% indecisive, 65% agreed and 28% strongly agreed.

Over Investment

When asked to rate over investment caused business failure, 2% of the respondents strongly disagreed, 37% disagreed, 30% indecisive, 9% agreed and 21% strongly agreed.

Financial Knowledge

Lack of financial knowledge as a factor affecting cash flow management, 5% of the respondents disagreed, 2% indecisive, 58% agreed and 35% strongly agreed.

Inflation

Respondents were also asked to rate whether inflation affects business growth and 40% of the respondents disagreed, 7% indecisive, 12% agreed and 42% strongly agreed.

4.3.8 External Factors Affecting Businesses

This question was intended to establish what macro environmental factors such as the strength of the rand, globalisation, technology advancement and tax incentives provides opportunities for growth within the manufacturing. The survey data is illustrated in Figure 4.20 below.

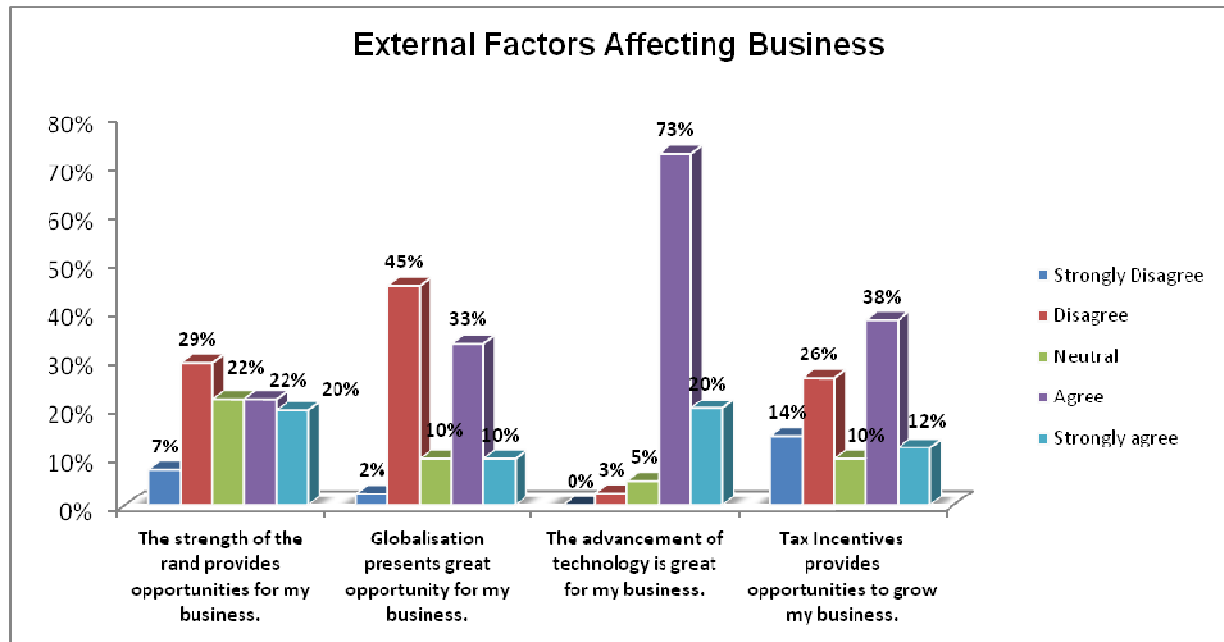


Figure 4. 20 External Factors

The Strength of the Rand

The survey results indicated that 7% of the respondents strongly disagreed that the strength of the rand provides opportunity to grow their businesses, 29 disagreed, 22% indecisive, also 22% agreed and 20% strongly agreed. Only 2% of the respondents strongly disagreed that globalisation presents opportunities to grow business, 45% disagreed, 10% indecisive, 33% agreed and 10% strongly agreed.

Technological Advancement

Respondents were also asked to indicate whether they agree that technological advancement presents opportunities to grow the business, 3% disagreed, 5% indecisive, 79% agreed and 12% strongly agreed.

Tax Incentives

Findings also indicated that 14% strongly disagreed that tax incentives provides opportunities to grow their business, 26% disagreed, 10% indecisive, 38% agreed and 12% strongly agreed.

4.3.9 Challenges Facing Manufacturing Businesses

The purpose of this question was to establish to what extent the owners of manufacturing businesses agreed with identified factors as being major challenges facing manufacturing businesses in this area of study. Survey questionnaire focused on competition, skills shortage, globalisation, government bureaucracy and access to finance. The research findings are presented in Figure 4.21.

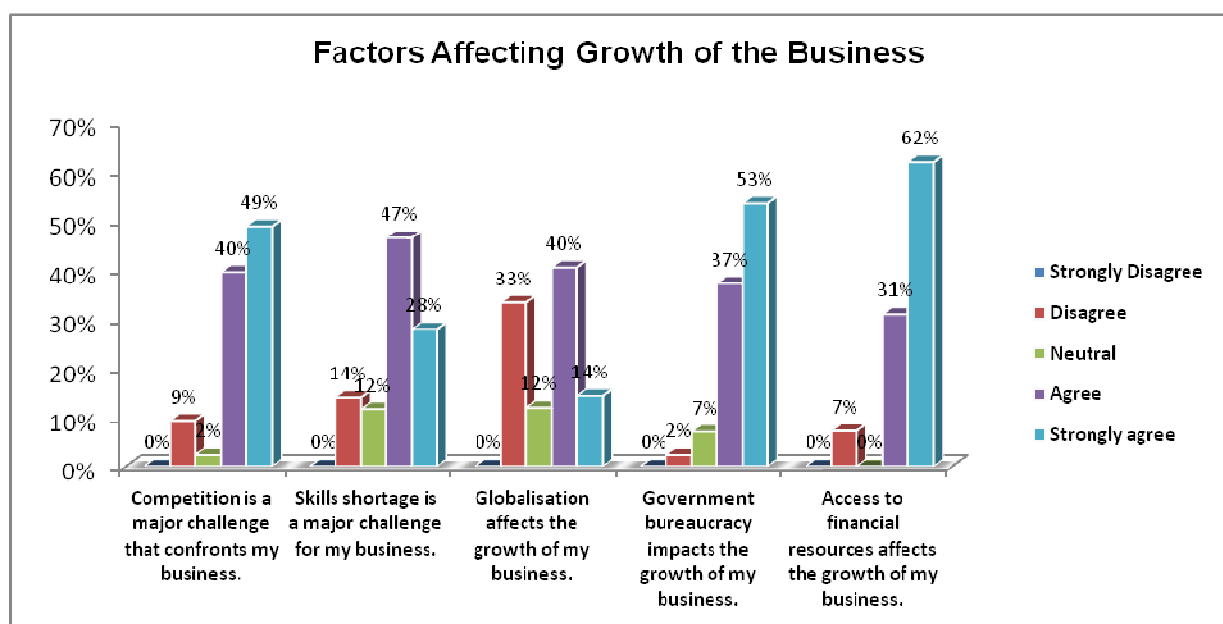


Figure 4. 21 Factors affecting growth of manufacturing businesses

Competition

Findings indicates that 9% of the respondents disagree that competition is a major challenge that confronts their business, 2, indecisive, 40% agreed and 49% strongly agreed.

Impact of Skills Shortage

The survey results indicated that 14% of the respondents disagreed that skills shortage is a major challenge, 12% indecisive, 47% agreed and 28% strongly agreed.

Impact of Globalisation

When respondents were asked whether globalisation affects growth of their businesses, 33% of the respondents disagreed that globalisation has an impact on their business, 32% indecisive, 40% agreed and 34% strongly agreed.

Impact of Government Bureaucracy

The survey results based on government bureaucracy as a factor imposing impact of business, results indicated that only 2% of the respondents disagreed, 7% indecisive, 37% agreed and 53% strongly agreed.

Impact of Access to Financial Resources

When respondents were asked about business impact of access to finance to the growth of the business, 7% disagreed that this impacts their business, 31% agreed and 62% strongly agreed.

4.3.10 The Regulatory Environment

This question was intended to understand the regulatory constraints that face manufacturing businesses within eThekweni municipality. The survey questionnaire asked respondents to identify challenges facing their businesses. The survey focused on SA labour laws, tariffs and quotas, government incentives, and Broad Based Black Economic Empowerment (BBBEE) act. Survey results are indicated as per Figure 4.22 below.

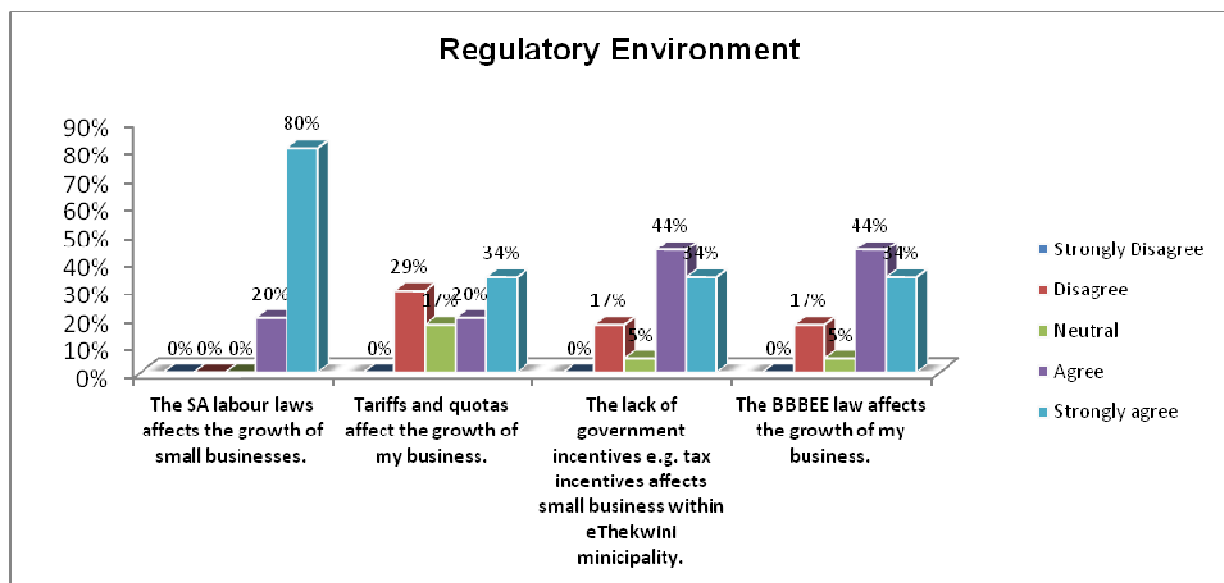


Figure 4. 22 Regulatory Environment

SA Labour Laws

Research results indicated that 80% of the respondents strongly agreed that SA labour laws affect the growth of small business and 20% agreed. It is also noted that none of the respondents strongly disagreed, disagreed or are neutral with the hypotheses that the SA labour laws affect the growth of businesses.

Tariffs and Quotas

At least 29% of the respondents indicated that tariffs and quotas affect the growth of small businesses, 27% were indecisive, 20% agreed and 34 strongly agreed.

Government Incentives

From the data presented, 17% of the respondents indicated that lack of government incentives affect their businesses, 5% indecisive, 44% agreed and 34% strongly agreed.

Broad Based Black Economic Empowerment

Similar results trend are noted with BBBEE as the challenge affecting growth of manufacturing businesses where 17% of respondents indicated that BBBEE laws affect their businesses, 5% indecisive, 44% agreed and 34% strongly agreed.

4.3 Chapter Summary

The data gathered through structured questionnaires and the questions posed to respondents owning or managing manufacturing businesses were presented in this chapter. Information was gathered on the company background and factors that affect the growth of manufacturing businesses operating within eThekweni municipality. Besides the demographic factors that were observed, the factors that were considered as affecting businesses included the business environment, access to finance or capital, management skills by entrepreneurs, technological advancement, the economic climate as well as the regulatory environment. Respondents shared their knowledge on challenges they experienced in business. The analysis and the discussion of these results would be presented in chapter five in conjunction with literature review as presented in chapter 2.

CHAPTER FIVE

Discussion of Results

5.1 Introduction

Chapter 4 presented the data results that were gathered through questionnaires through selected manufacturing businesses that operate within the eThekweni municipality. The purpose of this chapter is to present the examination and explanation of data that was obtained from the respondents who own or manage businesses operation within eThekweni municipality area using questions administered through QuestionPro. The discussion would be broken into sections and every part of the question in the questionnaire will be presented separately. The results gained from each question will be compared with literature review to substantiate if they are in sink or not with the presented narrative writing as discussed in chapter two.

5.2 Demographic data

This sub-section recognised and discussed the demographic issues associated with the factors affecting manufacturing businesses operating within eThekweni municipality. Aspects related to the entrepreneur such as gender, racial group, level of education, legal status of business, years in business, business turnover and motivating factors for starting business as well as experience of members of the management team would be discussed in this section. The demographic information is required to attain essential data about the respondents. It also provides a better analysis of results it also afford means for noting differences in responses by different groups such as gender and educational background.

The survey results indicated that the majority of the respondents who manage and own manufacturing businesses within the eThekweni manufacturing industry were mainly dominated by male. The results might be accredited to the fact that customarily this industry is mainly labour intensive and mostly businesses were historically directed by men. Although the SA Government has put more focus on providing support to women empowerment by encouraging gender dimension and the inclusion of women in business. Since 2003, women are now seen as the driving force for the South African economy, however the entrepreneurship environment is still highly dominated by males. This is further echoed by Greene (2003) who has noted that businesses owners are progressively becoming prominent as employers, customers, suppliers and competitors within the business environment.

5.2 Racial Profile

The racial spread of businesses owners is fairly split across racial groups in line with the demographics of the study area. The survey results indicated that the majority of the businesses are owned or managed by African, followed by Asians, Whites with the minority managed by the Colored Community. This can lead to conclusion that the ownership spread reflects that the ownership of businesses within this sector is well represented in line with the demographic split and also in line with BBBEE requirements of SA. Although it can be noted that most business were owned and managed by Africans in this sector are small businesses, it is an indication that the economic exclusion of certain racial groups in this area of study is slowly becoming an issue of the past.

5.3 Level of education

According to Dzansi (2005), the level of education skills enhances the possibility of identifying good business practices or opportunities and the possibility of the business

success. The results of the survey findings indicated that the eThekweni manufacturing businesses are managed or owned by well educated entrepreneurs and the majority (68%) of them have tertiary qualification. This is echoed by Marten (2005), who noted that the entrepreneur's educational skills enables him or her to forecast and predict good business practices and develop key strategic issues that the business must adopt in order to be successful. Previous studies indicates that manufacturing businesses were operated by individuals with a respectable level of education grow their business profit twice more than their counter parts or businesses are managed by people with a lesser than the secondary education. Driver *et al.* (2001) points out that in SA, people with a tertiary education are more likely to be successful in any form business than those without any form of respectable form of education. This is in agreement with the GEM (2009) survey results which showed that a remarkable improvement in the quality of educational culture is required and a suitable entrepreneurship education is needs to be accessible at schools in all levels, therefore education plays a pivotal role in the survival of the business and as such business owners should be exposed to various educational programmes to enable them to acquire knowledge in their respective endeavors.

5.4 Nature or Legal Status of Business

The respondents indicated that most of the businesses are managed or registered as close corporations. This could be attributed to the fact that historically close corporations were the easiest form of the business to establish and provided entrepreneurs with convenient for raising finance and the legal persona of the business. Cronje *et al.* (2004) point out that close corporations are the most used form or type of business. It is noted that some at least 30% of the entrepreneurs manage their businesses as private companies. This could be attributed to the fact the business environment has been globalised. In a globalised business environment, when dealing with multi-national companies entrepreneurs are quite often requested to produce audited business financial statements and the books of private companies are audited

as stipulated by the SA registrar of companies. It is also noted that the SA registrar of companies has introduced changes to the law governing companies which also makes it easier for the establishment of companies other than close corporations.

5.5 Type of Industry

Although the purpose of this study was to determine the factors that affect manufacturing businesses operating within eThekweni municipality, survey results reflected that some of the respondents indicated they also operated in other industries other than manufacturing businesses. This can be attributed that although some of the businesses are registered as manufacturing entities, some of them might have diversified and the composition of their businesses has changed. This is supported by Cronje, *et al* (2004), when he noted that SA businesses were hardly hit by recession as most of the businesses operating within the SA borders are well diversified to capitalise on other business opportunities.

5.6 Period of Business in Operation

Research findings indicated that the period of business operation for manufacturing businesses operating within eThekweni municipality is wide spread across between five years and 20 years. The results indicated that the number of years in the industry is fairly represented across and the level of expertise or experience in this industry is a concern.

The sustainability and growth of the manufacturing sector is highly dependent on continuous observation which requires a certain level of experience and skills. The level of experience or years of business operation enables entrepreneurs to identify macroeconomic policy changes and the impact thereof in order to develop actions necessary to overcome challenges where applicable. (Berry et al, 2002). Technical

know-how is the underlining key for the innovations designed to improve and to flourish growth and development of the manufacturing industry in particular where business environment is highly dominated by intense competition caused by globalisation.

5.7 Company's Annual Turnover

When respondents were asked to indicate turnover bands of their businesses, survey results indicated that the annual turnover generated by businesses within this area of study is fairly spread with the majority (40%) of businesses turning less than R5 million showing dominance. A fair percentage of businesses indicated that their turnover is fairly spread between R10 million and R20 million. A conclusion can therefore be made that the majority of manufacturing businesses operating within eThekweni municipality are classified as small businesses. As defined by Dr Chetty (2008), small businesses are defined according to turnover as companies or firms with a yearly turnover of less than R5 million.

5.8 Motivating Factors for Starting Business

An interesting finding of the survey indicated that the main reasons why entrepreneurs in this sector started were for independence, financial reasons and self employment, it is remarkable to note that with 68% of the respondents who have indicated that they have tertiary qualification however they still value starting their own business as a motivator for financial independence and financial reasons as well as employment. Gono (2005) pointed out that one of the biggest economic challenges that face South Africa is economic independence and unemployment. When looking at the result it can be concluded that the majority of entrepreneurs who operate manufacturing businesses within eThekweni started their businesses to address socio economic circumstances of South Africa i.e. financial independency, unemployment and poverty. As noted in

chapter, the majority of developing economies are confronted with the challenges of the high unemployment rates and issues related to financial freedom.

5.9 Work or Management Experience.

Presented results indicated that the bulk (57%) of entrepreneurs within the manufacturing sector of eThekweni have managerial experience with 22% of the respondents with entrepreneurial experience. For the successful management of an enterprise, past research studies pointed out that there is evidence that managerial skills or knowledge are the much needed ingredients for the success any businesses (Benzing, 2009). An analysis of steps and phases of business development indicates that there is a strong need to create managerial skills which are needed for the development of small businesses irrespective of the industry. As the business grows, there is a necessity for various kinds of skills needed for survival and for the enhancement or growth of the business.

5.10 Level of Academic Qualification of the Management Team

As indicated by research results as presented in chapter four, respondents indicated that their businesses are managed by the management team with a respectable level of academic qualification. Rogerson, (2005) makes reference that the level of education or experience of the management team or decision makers is the ingredient for the success of any business operation. Entrepreneurial skills needs to be available and accessible to all levels of the business as the business grows, certain key decisions needs to be delegated to the management team. Developing and reputable enterprises come across various problems on the road to growth, consequently the level of academic experience of the management team is necessary for support and growth of the business.

5.11 Level of Experience of the Highest Decision Maker

Respondents were requested to specify the level of experience of the highest decision maker. Survey results showed that the level of experience of the management team as indicated by the results shows that the manufacturing businesses within this area of study are managed by well experienced individuals. Ligthelm, *et, al* (2003), noted that if the business management team does not have the necessary experience, the chances are that the investors would be reluctant to invest their resources or capital. The success of generating the interest of potential investors and the critical advancement of the business is often reliant on the effectiveness and years of experience of the management team. Investors and funding agencies are likely to review the management experience and expertise before they make commitment to the business.

5.12 Years of Practical Experience of the Most Qualified Management Team

When respondents were asked to indicate the level of experience of the management team, survey results indicated that their businesses are managed or comprised of individuals with years of practical experience at the managerial level. The number of years describe the individuals best attributes in a business setting which includes traits such as the ability to motivate others, industry knowledge and financial capabilities. Longenecker (2006), stated that as the business grows through different stages, the ability to forecast and make the necessary changes for the success of the business would be a significant factor for success. As the business environment changes, having a well experienced management team brings competitive that is needed for survival.

5.13 Challenges Facing Manufacturing Business

This section discusses questions which were aimed at determining the factors that affect manufacturing businesses within eThekweni municipality. The questions posed to respondents aimed to contribute a broader understanding of what entrepreneurs within this industry see as the important factors that affect growth and profitability of manufacturing businesses that operates within the area of study. The questions presented and discussed in this sub-section were developed with the research objectives of this study in mind specifically to establish what opportunities exists for manufacturing entrepreneurs to grow their businesses, factors that negatively influences the success of manufacturing businesses, to examine whether there is a connection between the perceived problems and the level of business skills business owners poses as well as to understand how entrepreneurs experience and deal with dilemmas associated with running business.

5.13.1 Important Factors that Affect Manufacturing Businesses

5.13.1.1 Skills

As can be noted on results as presented in chapter four, skills remain the greatest challenge facing businesses. Skills shortages have widely been condemned as a factor that negatively impact the economic growth prospects in SA. Venter (2004) identified skills shortages and the shortage of knowledge transfer as major factors to the development of business linkages and the competitiveness of South African labour market (Economic Diversification Project Report, 2007). “Business skills have a direct influence on the performance of small businesses”, (Venter, 2004) The critical skills needed for the management and survival of the business includes aspects such as change management, learning as an experience, planning, decision making and control that needed attention.

5.13.1.2 Access to Finance

Presented results above showed that financial access has the greatest impact on businesses with 51% of the respondents who have indicated that they strongly agree with the statement. The importance of access to finance is identified as a major factor affecting the growth of manufacturing businesses throughout the world. Entrepreneurs starting their businesses all encounter varying degrees of difficulty in raising capital or finance required to start or grow their businesses. The majority of entrepreneurs indicated that problems related to access to capital is the greatest obstacle to growing their business.

5.13.1.3 Environmental Factors

The regulatory and policy environment in South Africa continues to present obstacles for small businesses. The laws and regulations are often complex, increasing the transaction costs of managing businesses. Although there have been some major improvements in the regulatory systems over the past few years, the lack of transparency in implementation diverts the benefits. Respondents have indicated that government bureaucracy or legislative framework still affects the development or growth of businesses. For the success of the businesses, the government needs to think about developing more flexible labour law provisions or incentives. Policy makers need to defend the working population whilst taking the conditions of businesses into consideration. This method can take place productively only with appropriate discussion between all the appropriate stakeholders (Rogerson, 2005).

There are a variety of environmental factors which can affect the businesses in an economy. Although respondents have indicated that the environmental factors affect the growth of their businesses, survey results indicated that they are not of a major concern. These environmental factors can be categorised into external and internal environment

of the businesses. Longenecker (2006) argued that the internal environment of the company encompasses factors which are contained by the company and are under the control of company like product organisational culture, leadership and the manufacturing process. External factors are those factors that are not under the control of the business which include the social environment, political climate, suppliers, competitors as well as government regulation. Entrepreneurs need to be mindful of these factors as they might have an effect of the growth of their businesses.

The negative effect that macro factors affecting business factors have on the establishment and growth of the manufacturing industry within eThekweni municipality indicates that authorities need to develop strategy to deal with these factors as they negatively affect their economic growth. The finding results indicate that economic factors that are an important consideration for the positive performance of manufacturing businesses includes creating a competitive business environment, skills shortage, globalisation, government incentives and access to financial resources. These items are perceived by the respondents as critical to the success of small businesses within this sector.

5.13.1.4 Technology

Presented survey results reflected that respondents do not see much effect of technology on the growth of their businesses. This can be attributed to the fact that SA is a developing country and technological advancement is still at a developmental stage. In developing countries, new technology has often been viewed as both a solution and a risk to the manufacturing sector. Although automation has delivered enhancements in production as well as quality however it has generated concerns about its impact on the availability and location of manufacturing jobs as well as the skills required to perform them. Berry, *et al* (2002), noted that the complicated equipment and present day processes have undeniably improved productivity. Automated manufacturing businesses have eliminated a lot of conventional manual

operations, which require skills that are now more difficult to find. In developed countries, successful businesses have seen the benefits of technology as an alternative to the expensive workforce since and technological innovations or automation. The international workforce is making headway in the fields of software and programming, and the nation is building a base for a more competitive infrastructure. This proved to keep domestic manufacturing flourishing therefore it would be thoughtless to think that modern automation is stealing manufacturing jobs.

5.13.1.5 Globalisation

Globalisation is the new catchphrase that has come to govern the world and globalisation has brought about new opportunities to developing countries like South Africa. As indicated by Hill (2009), superior access to developed country markets and technology transfer hold out promise for improved productivity however globalisation has also thrown up new challenges like growing inequality, volatility in financial market and changes in environmental. Respondents have indicated that globalisation does not have the greatest impact on their businesses besides the noted harmful characteristic of globalisation i.e. a large amount of developing countries remain disconnected from the process. Globalisation has opened up the economy of South Africa and removed barriers to trade and investment as well as financial flows which have progressively lowered the barriers to competition.

5.13.2 Factors Affecting Manufacturing Businesses during the First Three Years

The majority of the respondents indicated that accessing finance was the key factor affecting businesses within the first three years of operation which can be attributed the entrepreneurs' inability to raise sufficient capital to finance their operations and expansion. Past research studies have indicated that the financial cost have a direct

effect on the growth of businesses as it an costly method of raising equity by borrowing money from financial institutions (GEM, 2009). According to Ligthelm, *et, al* (2003), the limited access to financial resources and credit facilities by smaller businesses compared to large corporate businesses have negative consequences for the economic development and growth of the country. It is noted that policy makers as well as political leaders have acknowledged that manufacturing businesses have a unique contribution(s) to make in order to reduce unemployment and economic development within eThekweni municipality. This as an indication that failure to address these challenges (access to finance, etc) can up in inadequate profitability and growth of the manufacturing businesses due to financial failure.

5.13.3 Business or Managerial Skills

5.13.3.1 Change

Survey findings indicated that most of entrepreneurs in this industry believe that change is an integral part of the business. As the world evolve through globalisation, for survival business owners must continually seek innovative ways to propel their businesses to greater heights. Entrepreneurs work as agents of change. Managing change means anticipating, executing, and monitoring change which requires proactive engagement with the external environment from which opportunities, resources and the entrepreneurial requirements emanate. The entrepreneur must also exercise leadership by anticipating resources and requirements of the business. It can be noted that many entrepreneurs go through a number of challenges and failures before they become successful.

5.13.3.2 Failure

Failure is a learning experience and any teaching to those who are keen to learn frequently results to future successes. The majority of respondents (55% agree and 23% strongly agreed that failure is a valuable learning experience in business. The results affirm past research studies which indicated that energised, passion and committed entrepreneurs have the ability to change failures into success. Entrepreneurs should not be simply disheartened as they are accomplishment or results driven and are always motivated to be successful. As an entrepreneur, failures shouldn't distract you but learn from your mistakes and use these lessons to succeed the next time around. Heller, (2007), noted that studies of triumphant business owners showed that they credited much of their success to building on previous failures and on using failures as a learning curve. Entrepreneurs thrive on independence and are skilled at taking charge when a creative or intelligent solution is needed and this is especially important when under strict time constraints.

5.13.3.3 Planning and Decision Making

Respondents were asked whether they set time aside for planning, an overwhelming percentage indicated that spend enough time for planning. Pratt (2001), stressed that planning is the primary management mission and the largest part of the fundamental managerial task. When completed appropriately, it determines the direction for the organisation which leads and controls the functions which will of benefit to the businesses.

5.13.3.4 Control

Survey results indicated that most entrepreneurs in this sector would prefer to make decisions on their own without employee involvement. This is an indication that business owners lack the capability to motivate and encourage employees to accomplish greater results than initially intended. For the success of any business venture, entrepreneurs must act as transformational influential individuals who instigate, energise and mentally encourage their employees which can result in employees to be more productive as they will be motivated and feel as part of the planning. Ligthelm, et al, (2002) points out that the other reasons for failure in businesses include the inability to direct business growth and an overemphasis on financial rewards. Management dealings which are lacking are the capability to set strategic goals and the unwillingness to delegate some of the management commitment and an unwillingness to become accustomed to change. Survey findings indicate that 39% of the respondents still believe that they have to do most of the work to be in control. Failure to delegate consumes most valuable time that entrepreneurs can use to strategise and plan way forward for the business.

5.13.4 External Support

The majority (41%) of the respondents indicated they engage the services of the accounting firms as well as the services of the consultants for the management of their businesses. As the business grows, the skills the business needs to access also grows e.g. as the business grows, managing finance become more complex which results with entrepreneurs needing staff to manage company's financials. It noted that the most problematic area for running the business is the ability to manage finance. This can be attributed to the fact that most entrepreneurs are quite innovative when it comes to product development, however managing finances needs to be learnt and little attention is paid to financial management hence results indicates that the majority of respondents

employ the services of external accounting firms to manage their businesses. Heraty (2005), argued that the owners of successful business have recognised that it is critical that they understand when new skills are required and implement the necessary steps to meet them hence external support is one of the external support respondents have indicated that they use.

5.13.5 Business Finance

Survey results reflected that access to finance was by distant the most problematic factor for manufacturing businesses. This is noted by the fact that 47% of the businesses are financed through own equity which is an indication that the traditional funding mechanism(short term and long term debt) via financial institutions are not easily accessible which results in entrepreneurs relying on personal savings to finance their businesses. This can be attributed to the fact that most entrepreneurs are unable to furnish the necessary security required to raise loans. As noted by past research studies, small and medium businesses were more likely to report challenges of accessing finance from formal institutions than large corporate businesses (GEM, 2009)

5.13.6 Financial Control or Management

The overwhelming number of respondents (58%) indicated that they agree that the lack of financial knowledge affects cash flow management and at least 35% strongly agree. As indicated by research results above, the owners of businesses in this sector rely on external support (accounting firms) for financial management, this is an indication that there is a lack of financial skills. Past research studies have indicated that entrepreneurs regard themselves as particularly strong when it comes to strategy, people management and administration. It can be concluded that most of the problems with cash flow management which results in business failure are manifested by weakness in financial management. Entrepreneurs need to control various functions of

the business which includes marketing, research and development, financial management, sales, purchasing, inventory control and production. If an entrepreneur is unable to exercise these functions in the most appropriate and efficient manner, the business is doomed for failure. Van Aardt (2007) points out that although it is not a major problem if the entrepreneur does not possess skills, as long as he or she has certain other qualities that could compensate for the lack of skills and remains dedicated to the business.

5.13.7 Financial Challenges Impacting Businesses

5.13.7.1 Access to Credit Finance

The majority (63%) of the respondents agreed that access to credit facilities hinder the growth of manufacturing businesses. Credit facilities refer to credit terms offered to customers where payment terms are negotiated. Normal market forces of supply and demand as well as other factors like political stability, monetary policies and various other sentiments determine and influence the rate of exchange of a currency. Apart from access to finance, other factors related to finance that affects the growth of the manufacturing businesses includes access to credit facilities, over-investment, the lack of financial knowledge which affects cash flow management as well as inflation. The results from the survey were subjected to a quantitative analysis and the following problematic areas were identified:

5.13.7.2 Access to Credit Facilities

The majority (65%) of the respondents agreed that access to credit facilities hinder the growth of manufacturing businesses. Credit facilities refer to credit terms offered to customers where payment terms are negotiated. Normal market forces of supply and demand as well as other factors like political stability, monetary policies and various other sentiments determine and influence the rate of exchange of a currency. The overwhelming number of respondents (58%) indicated that they agree that the lack of financial affects cash flow management and at least 35% strongly agree. As indicated by Hussain and Windberger (2010), businesses owners rely on external support (Accounting firms) for financial management, this is an indication that the lack of financial skills. Past research studies have indicated that entrepreneurs regard themselves as particularly strong in other areas of the business with the exception of financial management and credit. It can be concluded that most of the problems with cash flow management which results in business failure are manifested by weakness in financial management.

5.13.7.3 Over Investment

Survey results indicated that only 30% (9% agree and 21% strongly agree) of the respondents agree that over-investment affects expansion of their businesses with 39% of the respondents who have disagreed that over-investment affects their business. According to Erwee (2004), one of the leading causes of business failure of entrepreneurship is over-investment which frequently occurs when business owners confuse accomplishment with how quick they can grow their business. Focusing on slow and steady growth is optimum and many business bankruptcies have been caused by rapidly expanding companies. Van Aardt (2007) points out that even though you do not want to hold back growth, once the business has an established firm clientele base and a superior capital stream, an entrepreneur can let success help the business set

the right measured pace. According to Peter Drucker (2006), most of the changes in any manufacturing business take place during the expansion phase which requires a considerable amount of changes in the structure and in business practice such as inventory and financial control.

5.13.7.4 Financial Knowledge

Presented research results indicated that the majority (93%) of the respondents agree that the lack of financial knowledge is an impediment to the growth of businesses. According to Erwee (2004) the lack of financial control and subsequently cash flow management may result in the failure of the business. It is crucial for business owners to employ the services of a competent bookkeeper if they have weak financial skills in order to ensure that the accounts are managed regularly. One of the dominant causes for the failure of business is the shortage of financial capital. Poor management of finances destroys thousands of small businesses every year. Most business owners don't realise how much money it takes to run a business.

5.13.7.5 Inflation

Although 54% of the respondents have agreed that inflation has an effect on their businesses, 40% of the respondents disagreed that inflation affect their businesses. These results can be attributed that to the fact that SA manufacturing industry is relatively small due to the high labour costs and the cost of transport, communications and general living is much higher. The widening inflation differential and the exchange rate gap between SA and its trading partners contribute the uncompetitiveness of this industry. According to Jennings (2010) over the past decade the large inflation differentials have emerged between SA and its major trading partners as the cost base of domestic manufacturers has been rising persistently faster than those of its major

competitors. The SA manufacturing industry is highly dependent of labour however SA has an abundance of semi skilled labour which makes no significant contribution to the manufacturing companies. The South African manufacturing industry can take advantage of the low production costs and the access to new market because be of trade agreements with SA's trading partners.

5.13.8 External Factors Affecting Businesses

5.13.8.1 The Strength of the Rand

The results from the survey highlighted problematic areas which included factors such as the strength of the rand, globalisation, technology advancement and tax incentives which were identified by respondents as the external factors affecting manufacturing businesses. The normal market forces of supply and demand as well as other factors like political stability, monetary policies and various other sentiments determine and influence the fluctuation of the currency (Rand). Although the strength of the rand remains volatile based on market forces as identified above, only a small percentage of the respondents agree or strongly agree that the strength of the rand affected their businesses. This is an indication that the SA economic policy is sound and well maintained however entrepreneurs within the manufacturing sector must still implement a good financial management strategy and must have a full understanding of foreign currency policies in order to be able to minimise or equalise the effect of the depreciating rand.

5.13.8.2 Globalisation

South Africa has an open economy, which means it is open for competition from other countries. Survey results indicate that almost half (43%) of the respondents agree or strongly agree that globalisation presents great opportunity for their businesses. The majority of the respondents (45%) disagree that globalisation presents opportunities for them, this can be attributed that global competition provides consumers with a wider variety of choices and they are in a better position to dictate price on the market front. For survival in a globalised environment, business owners must ensure the companies are globally competitive in terms of price and quality by way of conducting regular benchmarking exercises and keeping abreast of international developments.

5.13.8.3 Technological Advancement

Manufacturing processes have been fully automated with the use of information technology. The supporting information systems, including the accounting information system, have become a necessity and are no longer considered as luxury resources. The results from the survey indicate 73% of the respondents agree that technology advancement has great impact on their businesses and 20% of respondents strongly agree that their businesses have been affected by the recent developments in information technology. This is an indication that businesses owners have to strategise around the usefulness of their technology to ensure cost effectiveness as well as competitiveness is maintained within the manufacturing industry.

5.13.8.4 Tax Incentives

Manufacturing entrepreneurs are of the opinion that tax incentives provide opportunities to grow their businesses. This is in line with empirical study which concluded that in manufacturing economies, encouraging businesses to expand their operations provided that financial relief is provided. Taxation reduces the probability of returns that pays for the risk undertaken individuals when committing their capital resources. Although this might be the case, half (50%) of the respondents within this area of study indicated that they do not believe that tax incentives provides an opportunity to grow their businesses with 38% agreeing and 12 % strongly agreeing that tax incentives is good for their business.

The SA manufacturing industry is under enormous pressure to reduce costs and to streamline their operations with the increased competitiveness of this sector due to globalisation. The owners of manufacturing businesses must explore possible option to increase their profit margins and tax credits and incentives that can help manufacturers reduce costs. Entrepreneurs in this industry needs special tax related incentives that are specific to manufacturing operations.

5.13.9 Challenges Facing Manufacturing Businesses

5.13.9.1 The impact of Competition on the Growth of Businesses

South Africa has an open economy, which means it is open for competition from other countries. Survey results indicated that the majority (40% agreed & 49% strongly agreed) of respondents agree that the competition affects growth of businesses. The SA Business environment has developed a diversified environment that has shown its resilience and potential to compete in the global economy. The manufacturing sector

provides a locus for inspiring the development of other business industries, such as the services or the retail sector and is seen as a strong driver for achieving specific results such as the creation of employment and economic empowerment. Due to the global competitive landscape, the business environment is undergoing a transformational shift that will reshape the economic growth and competitiveness of SA businesses. As noted by GEM report (2010), to remain competitive in a globalised world, businesses need talent driven innovations which are seen as significant drivers of competitiveness in most markets. The strong manufacturing sector is a critical constituent of a developing country's intellectual capital. In today's economic environment, manufacturing competitiveness is determined by an empowered talent base, especially as manufacturers around the globe combine technology platforms and interfaces into their products.

5.13.9.2 The Impact of Globalisation on the Growth of Businesses

Survey results indicate that almost half (43%) of the respondents from the sample size agree and 10% strongly agree that globalisation presents great opportunity for their businesses. The majority of the respondents (45%) disagree that globalisation presents opportunities for them, this can be attributed that global competition provides consumers with a wider variety of choices and they are in a better position to dictate price on the market front. For survival in a globalised environment, business owners must ensure the companies are globally competitive in terms of price and quality by way of conducting regular benchmarking exercises and keeping abreast of international developments.

5.13.9.3 The impact government bureaucracy on the Growth of Businesses

Respondents were asked whether government regulations impact the growth of their businesses. Respondents indicated that the majority of respondents i.e. 37% agree and 53% strongly agreed that government bureaucracy has an impact on the growth of their businesses. The results are in indication that the SA approach to enterprise development is characterised by complex and mix strategies. As noted by Ndlovu (2009), the SA regulatory environment has not been sufficiently differentiated for small business and larger businesses. Ensuring a competent and valuable business environment for development and growth requires an orchestrated program by various public and private sector entities. Effective co-operation between the various stakeholders which included the department of trade and Industry, the national treasury, and the various regulatory institutions are particularly important for the development and growth of the manufacturing industry.

5.13.9.4 The impact of Access to Financial resources

The survey results reflected that access to financial resources was by far the most problematic factor for manufacturing businesses. This is noted by the fact that 47% of the businesses are financed through own equity which is an indication that the traditional funding mechanism(short term and long term debt) via financial institutions are not easily accessible which results in entrepreneurs relying on personal savings to finance their businesses. This can be attributed to the fact that most small entrepreneurs are unable to furnish the necessary security required to raise loans. As noted by past research studies, small and medium businesses were more prone to account challenges of accessing finance from recognised institutions than large corporate businesses.

As noted by Ligthelm, *et, al* (2003) one of the key reasons for failure of businesses is the incapability to access finance and lack of financial management acumen especially cash flow management. Past research studies indicates that the greater amount of entrepreneurs within the manufacturing sector use their own equity (47%) to finance their business and only 25% is short term liability and 19% long term liability. Given these numbers, one could summarise that a considerable number of manufacturing business owners finance their businesses by way of owners' equity. When respondents were asked to indicate what are the challenges affecting the growth of their businesses, the majority of respondents showed that the access to finance was a major constraint on their businesses which is critical of businesses in their growth phase of the business life cycle. Only 28% of the respondents reflected that access to finance was not a restriction on their business.

5.13.10. The Regulatory Environment

5.13.10.1 SA Labour Laws

As high as 80% of the respondents strongly believe that the SA labour law system affects businesses. The promotion of businesses is viewed as a mechanism to advance employment creation, however there is little observed evidence on how strong this effect might be in South Africa. The effect of labour market regulations, in particular the minimum wages is limited to the use of entrepreneurs' perceptions, which customarily point to the constraining effects of labour market there's little evidence of research studies which examine the performance of the labour market, and this in turn the impact on growth manufacturing businesses. The performance of the labour market is prone to have an effect on employment growth of manufacturing businesses because this industry tends to be more labour concentrated than any other industries. It is noted that the high labour costs in SA would deter potential investors which will also harm the formation and growth of businesses.

5.13.10.2 Tariffs & Quotas

When respondents were asked to indicate whether tariffs and quotas affect the growth of their businesses, respondents' results indicated that they are not faced with these issues with 20% of the respondents who agreed and 34% who strongly agreed that they have an impact on their business growth. These results are an indication that the respondents see no benefit of such initiatives for the development of their business. This can also be attributed to fact that South Africa operates in an open economy and trade barriers especially tariffs and quotas have been relaxed since the democratisation of this country. At the end of the global economic meltdown and the crunch of the local economy due to recession, there is a vicious discussion on South Africa's (SA) trade policy trajectory. As indicated by Ndlovu (2005) , who argue that SA should strategically shelter certain industries in order to construct local industrial capacity and thus promote local production by implementing protectionism instruments which include the hiking of tariffs, imposition of quotas and other non-tariff barriers on important sectors like the manufacturing industry. This is key strategy for developing countries and it is the greatest contributor to the reduction of unemployment and poverty. In South Africa the impact of trade liberalisation on the economy remains a controversial subject as the SA's trade reform of the early 1990s is seen as the principal ground of the high rate of unemployment by policy makers. The dilemma of low growth and high unemployment in SA poses pressing challenges to policy makers. Trade policy is a significant element of these challenges and policy makers should look at SA trade policy to ascertain the benefits and costs of such instruments to business development and economic growth of the country.

5.13.10.3 Government Incentives

Of the respondents surveyed, the majority at 78% agree (44% agree and 34% strongly agree) that the lack of government incentives like taxation does not support the growth

of businesses. The costs of tax compliance can be associated with the time taken in the maintenance of records and the paperwork implicated in completing tax returns are unwarranted. The tax impacts adversely on the cash flow of the business, providing incentives like tax relief to businesses would allow entrepreneurs to use such funds for business investments which will enhance growth of their businesses.

5.13.10.4 Broad Based Black Economic Empowerment

Respondents believe that regulatory issues like BBBEE affect the growth of businesses. The results are an indication that BBBEE requirements are perceived as communal intentions relative to a commercial exercise that could be rewarding for both businesses and the institutions that provides support to manufacturing businesses. The social positioning currently offered to entrepreneurs do not seem to resonate well as the objective and requirements of legislation linked to enterprise development goes against the principle of maximising profits hence such legislation receives no buy-in from businesses and tends to be seen as cumbersome. The general lack of understanding of BBBEE can also be attributed to negative perceptions which are often clouded by corruption, misappropriation of tenders, and nepotism.

5.14 Chapter Summary

This chapter gave a detailed discussion of the quantitative results as presented a in chapter four. The results as obtained from the gathered questionnaire indicated that the manufacturing businesses of eThekweni municipality suffer from a number of factors that hinder the development and growth of their businesses. Amongst other issues indicated by survey results includes the business environment which is highly competitive due to the globalisation of the world market, entrepreneurial or management skills, challenges related to access to finance or credit, technological advancement as well as the regulatory environment. The presented survey results are an indication that these

economic factors have a straight pressure on the development and growth of manufacturing businesses which is seen as the main industry for the economic development in SA and important factor as the policy makers have repeatedly stress that businesses has a responsibility in poverty alleviation and the reduction of unemployment in the country.

The following chapter will focus on the conclusions and recommendations of the study as well as make recommendations for future research studies. Recommendations focus on initiatives or actions that the stakeholders including government, entrepreneurs and other key players need to consider for the development of manufacturing businesses within eThekweni municipality with special attention to the identified factors that affect growth of manufacturing businesses operating within eThekweni municipality.

CHAPTER SIX

Conclusions and Recommendations

6.1 Introduction

The business environment has changed and that has necessitated a similar development of the industry interconnected policies. Technological changes, globalisation of the business environment and the heightened competition have altered the landscape for businesses. This is an indication that if the local governments like eThekweni municipality want to succeed in their quest of economic growth and address the socio-economic challenges especially unemployment, they need look at the sectors or businesses that can be counterproductive. Policy makers have realized the importance role that would be played by businesses in the economic growth of the country especially the manufacturing industry. The governments must generate an industry and business environment that is advantageous to the unending structural changes for the manufacturing sector.

This chapter presents the results of the investigation into the factors affecting the growth of manufacturing businesses operating within eThekweni municipality. It provides evidence to support conclusions and recommendations for addressing the factors that affect the growth and development of manufacturing businesses operating within eThekweni municipality. This chapter also highlighted limitations that surfaced during the study and also provided recommends to solve the research problem and make recommendations for future research studies.

6.2 The Research problem

The objective of this study was to examine the factors that affect manufacturing businesses within eThekweni municipality with the research objectives of this study in mind namely:

- To establish what opportunities exists for manufacturing entrepreneurs to grow their businesses within eThekweni Municipality.
- To determine what are the factors that negatively influences the success of manufacturing businesses within eThekweni Municipality.
- To investigate whether there is a link between the perceived problems and the level of business skills business owners poses.
- To investigate how entrepreneurs experience and deal with dilemmas associated with running business.

The Manufacturing sector of eThekweni has slipped to less than 20% contribution of gross domestic product (GDP). Productive entrepreneurship is now one of the main drivers of economic growth and it is linked with the capability of entrepreneurs to manage or grow their business ventures. Entrepreneurs can create new business niche, however they continue to face barriers when attempting to grow their businesses. The factors that hinder growth of their businesses have been identified as access to finance, management skills, globalisation of the business environment, technological changes as well as the regulatory environment. Ensuring good business environment for manufacturing businesses is important to the economic growth for the government.

If the eThekweni municipality wants to try to combat unemployment and stimulate economic development by through the manufacturing industry, to succeed in a globalised business market, the regulatory framework, the tax laws and legal framework affecting businesses would have to be subjected to appropriate cost benefit analyses.

This study investigated factors such as regulatory issues the competitiveness of the business environment which includes access to finance and credit facilities for businesses which need to be dealt with for the development and growth of manufacturing businesses.

Research findings indicated that the regulatory environment needs to be improved for the flourishing of the manufacturing sector. It also looked at other factors that impede the success of manufacturing businesses such as technology, business skills and globalization. Manufacturing businesses are such an imperative factor of the eThekweni municipality's socio-economic circumstances that they merit a well-considered and systemically coherent strategic framework. In view of the notable necessities of the manufacturing industry, it may be argued that the overriding concern should be to en

Whilst the research highlighted that the complexities peculiar to the South African business environment as far as financing, there is a need for policies that would accommodate for the precise realities of the manufacturing industry. While the commitment to an increased access to finance from the local government, the support for financial assistance will have to come from the various market players which includes public interventions by setting appropriate incentives for the market or dealing with certain constraints originating outside the financial sector. By attempting to reduce the problems of accessing finance and access to capital, a policy of making access to financial markets and services would only be fruitful if it takes place in a suitable surroundings and is accompanied by appropriate non financial actions. The South Africa business environment will profit from elimination of obstacles to business financing which includes the Usury Act, the legislation which will facilitate an extensive mixture of financial institutions, and broadening transparency of bank reporting on their financing to businesses sure that the policy and regulatory framework are geared to support this industry.

6.3 Recommendations to solve the research problem

The recommendations offered seek to address the objectives of this study, which was to determine the factors that affect the growth of manufacturing businesses within eThekweni municipality. The manufacturing sector is an extremely important industry for the economic development and growth of the eThekweni economy. It emerged from the respondents that there are shortcomings that are viewed to be barriers to manufacturing businesses. The conclusion under which this study is based suggested that the existing factors that negate growth of the manufacturing industry include the business environment globalisation, management skills, access to capital, technology and the regulatory environment.

The business environment also contributes to the development, growth or failure of the manufacturing businesses but this study paid attention on the factors that entrepreneurs within the manufacturing sector cannot control. Policy makers all over the world have indicated the significance of the manufacturing sector and their contribution they make to the well being of the country as well as economic growth. It is recommended that the policy makers who must also play a significant part by contributing to the success of the manufacturing sector by developing strategies that will empower entrepreneurs to flourish in this industry. They also require to provide the essential support entities to support businesses in getting through the first three years of their establishment given that these are the significant years for future success.

The conclusion of this study suggests that entrepreneurs who have managed to be successful go through the growth phase of the organisational life cycle. When they reach this stage, is an indication that they have overcome the major obstacles posed during the introductory stage where the mortality rate is considerably high in South Africa as well as other parts of the developing world. The dominant caused for failure of

businesses is the lack of management skills needed to effectively manage the businesses. This research has managed to highlight the scope of management skills of entrepreneurs who have successfully managed to reach the growth phase of their organisational life cycle. Research has also showed that the period as well as the level of experience of entrepreneurs or management team of manufacturing businesses has an important part to play in its continued existence. The ways employees are managed have changed due to all the other changes taking place, as mentioned earlier. Employees need to be trained, their performance measured and treated equally. The owners of businesses need to be a human resources manager for the business to ensure efficiency.

Technology has evolved over the years and will continue to evolve as new developments are established. Technology has changed the way business is conducted, the way products and services are manufactured and delivered. The embracement and realisation of new technologies in the manufacturing processes provides a strategic advantage for any manufacturing company that wants to compete in a globalised world. The process of automation will continue to challenge the manufacturing businesses within eThekwinini in the future.

The globalisation of the world has had a far reaching effect on all manufacturing organisations as they are competing globally for customers as well as resources. Entrepreneurs within the eThekwinini manufacturing sector must be up to date with all the latest global markets in order to make accurate financial decisions timeously. Technology is fast changing employee practices, ever changing regulatory requirements and the fluctuating economic environment are the four broad categories of challenges facing the manufacturing businesses.

The decision makers in government must to think about several of the arduous government regulations affect manufacturing businesses and need to reconsider their

policies regarding businesses. These decision makers are in a perfect position to generate an environment beneficial for businesses. Research has presented models and frameworks that point out the possible threats to the continual survival of manufacturing businesses within eThekweni municipality. Policy makers and business owners need to become aware of factors affecting survival and growth of businesses and develop strategy that will add to the reduction in the mortality rate of businesses through their first three years of existence.

6.4 Chapter Summary

The most competitive manufacturing countries are those that encompass the uppermost level of commercial activity. In emerging economies, manufacturing businesses are seen as the drivers of economic growth and job creation as well as the foundation of employment and the alleviation of poverty. Environmental strategies are a key feature of organisational change. Policy makers as well as entrepreneurs should take a more pro-active approach in creating a sustainable business environment. In developing countries, governments have realised that providing selective support is costly in an era of tight budgets. The focal point is now on providing a business environment which enhances the capability of businesses to be innovative, flexible and competitive. Entrepreneurs confront enormous challenges and frustrations in South Africa as the country's economic and operating environment is not accommodating to entrepreneurial development, predominantly when it comes to regulations, policies and access to finance. The access to capital is regarded as the major inhibitor to the development and growth of businesses. GEM report (2009) discovered that South Africa is no inferior or superior off than any other country in terms of the accessibility of capital. The banking institutions remain the primary provider of capital to establish and develop businesses, whilst in other emerging economies, various financial structures play this support role.

Due to the pace of globalisation, the business environment has changed far beyond traditional forms of trade. Businesses are integrating remote operations and are trading in worldwide markets through the use of technology. Manufacturing companies employ global acquisitions and collaborations to reduce costs, scope as well as economies of scale. The global economy is intensifying rapidly, encouraged mainly by strong growth in rising markets and rapid growth in world trade. The surfacing of China as a manufacturing colossus is undoubtedly causing a major impact on all developed economies. To remain competitive in a globalised business world, businesses need to invest in research and development as well as other innovations if they want to be competitive.

To a great degree, most businesses are submissive to the regulatory necessities however legislative issues like the SA Labour Laws and BBBEE policy needs to evolve towards putting more importance on entrepreneurial development. Government policies is supposed to place less emphasis on the ownership and employment as requirements but place higher emphasis on enterprise development which will entice entrepreneurs to invest in more financially attractive to business activities. Such incentives would make more business sense to businesses as well as enhance the reduction of perceived corruption associated with the tendering process and this will give the much needed boost to job creation. With suitable interventions such as the focus on enterprise development, developing the right support for entrepreneurs and providing the appropriate incentives for businesses, the manufacturing sector could be an essential instrument to fast track economic growth in South Africa. Currently, this sector is not being utilised to its complete capability due to a lack of skilled entrepreneurs and a lack of incentives for businesses.

The business environment requires to be enhanced in order to increase the competitiveness of the manufacturing sector and to promote new market entrants. The emphasis should be on creating a favourable business environment for businesses by aiding financing, exploiting new technology, enhancing managerial capabilities and skills

development for entrepreneurs in the manufacturing industry in order to gain competitiveness in international markets. Respondents to the survey cited that the high operating costs associated with the burden of regulatory compliance and lack of access to finance and as some of the key factors affecting manufacturing businesses the most. As President Zuma said in his State of the Nation speech (2009) that: “the inclusive government will loosen the laws and implement a tax relief strategy for small and medium enterprises”, the eThekweni municipality needs to look at ways of exempting manufacturing businesses from high taxes. Factors like government tariffs, quotas and taxation enforce an unbalanced burden on businesses which is accredited to the complexity of compliance and administration and tend to cause cash flow stress.

Research findings indicated that entrepreneurial skills are severely lacking in this industry in line with educational challenges facing South Africa. If entrepreneurs within the eThekweni municipality are the key to the development and economic growth of the economy, for entrepreneurs to manage and run their business operations successful, there's lot more that needs to be done to cultivate entrepreneurial skills within the manufacturing industry. Policy makers as well as stakeholders must find innovative and effective ways to address this challenge.

6.5 Recommendations for Future Studies

There is a universal shortage of understanding of the entrepreneurial process. Many business owners are under the false impression that finance is the mainly the significant catalyst for the success of the business, however the success of a business could have been attributable to other factors. Further studies could focus on understanding of what drives the manufacturing industry.

The manufacturing industry is regarded as the most important factor for the development and growth of SA. Recommended future studies could focus on conditions

and circumstances under which this industry should thrive. Although entrepreneur need to identify these conditions and circumstances that eventually lead to the success of the business, in order to address the perception the study would provide feedback on their experiences of entrepreneurs.

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APPENDIX 1: Questionnaire

Factors that Affect the Growth of Manufacturing Businesses within eThekweni Municipality

GRADUATE SCHOOL OF BUSINESS UNIVERSITY OF KWAZULU-NATAL

Dear Respondent

I, Mike Biyase, an MBA student at the Graduate School of Business, University of KwaZulu-Natal. I am currently conducting a study entitled “Factors that negatively affect the growth of manufacturing businesses within eThekweni Municipality” .The study aims to gain an understanding of the challenges that hinders the growth of manufacturing businesses.

Through your participation in the study I hope to identify those factors that affect small businesses and gain a clearer understanding of what impact it has on the economic activity of eThekweni Municipality. Your participation in this study is voluntary and confidential. Neither your name nor your current business will be identified in this study. It is on this premise that I request you to respond to these questions honestly. I thank in advance for taking your time to complete the questionnaire as your input will be immensely valuable. The questionnaire will take you approximately ten minutes to complete.

Should you have any queries relating to this study or your participation therein you can contact either myself or my supervisor on the contact details below: Mike Biyase on 082 876 8776 or manqobabiyase@Ymail.com or my supervisor Mr Steven Msomi on 031 260 7927, or stevenm@ukzn.ac.za

☐ I Agree

1. Please indicate your gender.

1. Male
2. Female

2. Please indicate your racial status.

1. Asian
2. African
3. Coloured
4. White

3. Please indicate your level of education

1. No formal education
2. Primary
3. Secondary
4. Post Secondary
5. Tertiary

4. Please indicate the nature of your business by ticking the appropriate block.

1. Private Limited Company
2. Close Corporation
3. Partnership
4. Sole Proprietor
5. Other (please specify) _____

5. What type of industry your business trades in (please tick as appropriate).

1. Manufacturing
2. Tourism & Leisure
3. Retail Industry
4. Construction
5. Transport

Other (please specify) _____

6. For how long has your company been in operations (please tick as appropriate).

1. Less than five (5) years
2. Between 5 and 10 years
3. Between 11 and 15 years
4. Between 16 and 20 years
5. Over 20 years

7. Please indicate your company's annual turnover as indicated below:

1. Less than R5m
2. R5m – R10m
3. R10 – R20m
4. above R20m

8. Please rank the following factors that affect small businesses in order of importance (1 being very importance and 7 being the least important factor):

- Skills _____
- Access to Finance _____
- Government Bureaucracy _____
- Environmental factors _____
- Economic climate _____
- Technology _____
- Globalisation _____

9. What could you classify as the problems that affect businesses after the first three years of operation (You may chose more than ONE).

1. Accessing finance
2. Sourcing suppliers
3. Accessing customers
4. Recruiting staff
5. Other(please specify) _____

10. What were the motivating factors for starting the business?

1. Financial reasons
2. Could not find work
3. Independence
4. Self Employment
5. Other (Please specify) _____

11. Please indicate your previous work or management experience.

1. General worker
2. Managerial Level
3. Entrepreneur
4. Other (please specify) _____

12. What is the highest academic qualification of the members of your Management Team?

1. Matric Level
2. Diploma Level
3. Degree Level
4. Other (please specify) _____

13. How many years of experience at managerial level does the highest decision maker have on the job?

- Years _____
- Months _____

14. How many years of practical experience does the most qualified management team have in your line of business?

- Years _____
- Months _____

15. Please indicate to what extent do you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Agree	Strongly Agree
Change is an integral part of running a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Failure is a valuable learning experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Time is spent more effectively if I plan better	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I involve employees in planning & decision making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I set time apart to plan and prioritise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I prefer to do most of the work to be in control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. Please indicate what external supports do you use(You may choose more than ONE)?

1. Accounting Firms
2. Advertising agency
3. Consultants/mentorships
4. Product design experts
5. Packaging
6. consultants/experts
7. Other(please specify) _____

17. How is your business financed (please indicate approximate percentage where applicable)?

- Equity _____
- Short term debt _____
- Long term debt _____
- Venture Capital _____

Other _____

18. Please indicate who is responsible for monitoring the finances in your business (You may chose more than ONE option).

1. Owner-manager
2. Financial director
3. Bookkeeper
4. Other staff member
5. External accountant
6. Bank manager
7. Other (please specify) _____

19. Please indicate whether you agree or disagree with the following statements

	Strongly Disagree	Disagree	Neutral	Agree Strongly	Agree
Access to finance impacts business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to Credit facility(ies) is a challenge.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over-investment causes business failure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of financial knowledge affects cash flow management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inflation affects the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. Please indicate whether you agree that the following macro environmental factors have an effect on the survival of your business.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The strength of the rand provides opportunities for my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Globalisation presents great opportunity for my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The advancement of technology is great for my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax Incentives provides opportunities to grow my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21. Please indicate to what extent do you agree with the following statement:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Competition is a major challenge that confronts my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Skills shortage is a major challenge for my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Globalisation affects the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government bureaucracy impacts the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to financial resources affects the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22. Please indicate whether you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The SA labour laws affects the growth of small businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tariffs and quotas affect the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The lack of government incentives e.g. tax incentives affects small business within eThekwinini minicipality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The BBBEE law affects the growth of my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX 2: Ethical Clearance

From: Christel Haddon [<mailto:Haddonc@ukzn.ac.za>]
Sent: Monday, November 21, 2011 12:11 PM
To: Biyase, Michael M; Manqoba Biyase
Cc: Wendy Clarke; Steven Msomi
Subject: Ethical Clearance Application Approval -Manqoba Biyase 209510010

Dear Manqoba

Your Ethical Clearance application Ref GSB 46/11 was approved on the 09 September 2011 submitting your Question Pro questionnaire. This has now been received .
The form will now be forwarded to the Research Office.

You may proceed with your research (conducting your questionnaires/interview)

NB

1. If you at any stage during your research you decide to send questionnaires to a company/organisation where you have not obtained a gatekeepers letter a letter will be required and needs to be submitted to my office.
2. If you change your questionnaire you must submit a copy of the new questionnaire to the committee for approval
3. If you change the title of your research please advise the administrator at your school.

The Research Office will supply the Faculty Office with an official letter on which will be your EC No. This will be sent to you by post and a copy will be sent to the school for filing.

Kind Regards
Christel Haddon

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